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TRANSPORTATION OF COAL

HEARINGS

BEFORE A

STANFORD UNIVERSITY LIBRARY
JAN 25 1915

SUBCOMMITTEE OF THE COMMITTEE ON NAVAL AFFAIRS UNITED STATES SENATE

SIXTY-THIRD CONGRESS
THIRD SESSION

PURSUANT TO

S. RES. 291

A RESOLUTION AUTHORIZING THE COMMITTEE ON NAVAL AFFAIRS TO INVESTIGATE THE NATURAL AND STRATEGIC ADVANTAGES OF CHARLESTON, S. C., AS COMPARED WITH NORFOLK, AND OTHER CHESAPEAKE BAY PORTS, AS A PERMANENT POINT FOR COAL DISTRIBUTION, ETC.

No. 2

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

SUBCOMMITTEE ON NAVAL AFFAIRS.

NATHAN P. BRYAN, Florida, *Chairman.*

CHARLES F. JOHNSON, Maine.
WILLIAM E. CHILTON, West Virginia.
WILLIAM ALDEN SMITH, Michigan.
MILES POINDEXTER, Washington.

TRANSPORTATION OF COAL.

THURSDAY, DECEMBER 10, 1914.

UNITED STATES SENATE,
SUBCOMMITTEE ON NAVAL AFFAIRS,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to the call of the chairman.

Present: Senators Nathan P. Bryan (chairman) and Charles F. Johnson.

Mr. DOUGLAS. I desire to state, if the committee please, that we would like to examine Mr. Wright, a witness on behalf of our companies here. Mr. Wright is retained in some capacity by the committee and I am sure there will be no objection. We have conferred with Mr. Wright very freely, with the consent of the committee, early in the progress of these negotiations, and wish to examine him now.

The CHAIRMAN. Very well, you may proceed.

Mr. LYON. Mr. Wright, I believe you have conferred with me in relation to the evidence in this proceeding, on behalf of Mr. Dulaney?

Mr. WRIGHT. I have.

Mr. LYON. And you have gathered certain statistical information and figures, and have prepared for me, or for use in this proceeding, a memorandum and I would be glad if the committee would permit you to testify from that memorandum and then I will examine you later as to the details. I think the matter will progress very much more rapidly than if I should try to develop it by questions from the beginning. I wish you would testify from the memorandum which you have.

Mr. WRIGHT. I find from the records of the Interstate Commerce Commission for the year 1913 that the average amount charged by the railroads of the United States for hauling a ton of freight 1 mile is 7.29 mills. From Mr. Harrison's testimony before this committee, Official Record, page 424, it will be seen that the average charge by the Southern Railway for hauling 1 ton of average freight 1 mile is 9.82 mills, practically 35 per cent above the American average charge, and I find this difference will hold, probably even greater, in the matter of coal freight rate to the southeastern territory of the Southern Railway, as compared with the coal freight rates to other consuming territory east of the Mississippi River. For example: The prevailing rate in Virginia from the mines to the more important cities and towns is about $1.50 per ton, while in the Carolinas, eastern Georgia, and Florida the coal rates will probably average over 2.20 per ton, or from 40 to 50 per cent higher.

The annual report of the Southern Railway for 1913 (p. 11) shows the gross freight collections to be $44,943,747. Now, 35 per cent

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above the average produces $11,563,869, which latter sum represents the excess above the American average.

Mr. THOM. Your honors, I would like to understand what provision of this Senate resolution this evidence is directed to.

The CHAIRMAN. Mr. Lyon, what have you to say. This is a comparison of the rates, as I understand?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Rates charged by the Southern and other railroads in the North and in the South?

Mr. LYON. As I understand this investigation, if the committee please, it is upon the general allegation that the coal rates to the seaports and to the interior points on the Southern Railway are exorbitant. That is one of the propositions. I think that is broad enough to cover going into a comparison of the rates on the Southern with the rates upon other carriers. I call attention to the seventh and eighth sections of the resolution, as follows:

Seventh. Whether or not there is any discrimination now existing in favor of any one port on the Atlantic seaboard as against another port, and if so, in what does such discrimination consist; and whether or not any coal trust or combination of railroads and coal companies control the coal tonnage to any port or ports, and if so, how; and whether or not the coal supply of West Virginia, Virginia, Pennsylvania, Tennessee, and Kentucky flows naturally and without unnecessary obstruction to their respective natural ports upon the Atlantic seaboard; and whether or not there is any discrimination in rates against any coal operators.

Eighth. The coal rates to 30 or more representative cities on the Southern Railway in Virginia, North Carolina, South Carolina, Georgia, and Florida, and compare these rates with the rates enjoyed by the cities of relative importance and location, with regard to mines, in Pennsylvania, Ohio, Indiana, and Michigan, on the Pennsylvania Railroad system, including the cities whose rates are compared in the letter read into the Congressional Record by Senator Tillman on April 8.

Whether the coal flows from its natural source in Virginia to the southeast and the Atlantic ports is certainly a question this testimony will bear upon.

The CHAIRMAN. I do not understand he is limiting his testimony to coal rates; is he?

Mr. LYON. No, sir.

The CHAIRMAN. I think it would be perfectly legitimate if he confines it to coal rates.

Mr. THOM. The testimony thus far was only on general traffic and the rate per ton mile on all business.

Mr. DOUGLAS. The statement is merely preliminary, your honor.

Mr. THOM. If your honors please, are you interested in the reasonableness or unreasonableness of any coal rate? That matter has already been ruled on by the committee, on page 429 of the record.

Mr. DOUGLAS. You mean as to any particular rate?

Mr. THOM. Any rate on coal—the reasonableness or unreasonableness of any rate on coal. This Senate resolution is an inquiry into the status of, and not an inquiry into the reasons for the status, except in the special matters mentioned in the resolution as to whether that status is created by the influence of a coal trust, and similar suggestions, which will be found in the resolution. This inquiry is not directed to the reasonableness or unreasonableness of any rate. That matter, if it is necessary for me to show your honors, is already before the Interstate Commerce Commission in a very

voluminous testimony and very voluminous briefs, and it is to be determined by that body. As I understand the theory of this resolution, it is an inquiry on behalf of the United States Navy to find out what the status of the Navy is in respect of the supply of coal, as to whether or not that status has been created by the influence of a coal trust and thereby the natural flow of coal to any port obstructed; but there is nothing in the resolution, so far as I know and so far as I understand, that relates at all to the question of the reasonableness of the rates. If that be the inquiry, then I ask to have brought here the record to show what this inquiry will involve, because it is a most intricate inquiry. Mr. Wright has already testified before the Interstate Commerce Commission on this very subject, and that matter is now before that body for determination. If we are to go into the reasonableness of rates, we will repeat that record; but, as I understand, your honor has already ruled—on page 429—that you were not permitted by this resolution to go into any question of the reasonableness of the rates. If this is an appropriate time, it may be well to read this resolution and to discuss it as to its scope.

The CHAIRMAN. In addition to what was read by Mr. Lyon I find in the seventh section of the resolution, "and whether or not any coal trust or combination of railroads and coal companies control the coal tonnage to any port or ports, and, if, so, how." The eighth section of the resolution requires this committee to ascertain the coal rates to 30 or more representative cities of the Southern Railway and in certain Southern States.

Mr. LYON. As compared with the Northern States?

The CHAIRMAN. As compared with the cities in the Northern States. As shown on page 15 of the record, it seems to me Mr. Douglas has very concisely put the main question of inquiry by this committee when he asked Mr. Dulaney the following question:

Mr. DOUGLAS. As I uderstand it, your position is that certain men, largely interested in the so-called Coal Trust, have undue influence on the shaping or keeping shaped of the policy of the Southern Railway Co. and other railroads, and that they are using that influence to keep the ports south of Cape Hatteras closed, so as to hold the coal trade there for the Coal Trust, and so as to prevent competition in the export business, as well as in the matter of furnishing coal to the Navy and naval stations.

I think undoubtedly the committee is not expected to determine the question of what rates, speaking broadly, the Southern Railway is entitled to charge. I should judge about as far as we care to go into that matter would be as directed by the resolution, to ascertain the rates from those coal mines to cities south and cities north, of about equal distance, and from that gather our conclusions as to whether the carrying of coal to a certain territory at a certain rate, tends to support the contention that they ought to carry out similar rates for the southern territory. I think we ought to go that far into it, but of course we do not sit here as a rate-making body to determine as a general proposition whether the Southern Railway's rates should be lower. If the witness is simply mentioning that incidentally in passing, it may be well for us to have that information, but we do not care to go into any long discussion of that matter.

Mr. THOM. Of course we will have to answer that part of it if he goes into it.

The CHAIRMAN. If he says something that is immaterial beyond the scope of our investigation, we would not care to hear immaterial testimony.

Mr. DOUGLAS. Mr. Chairman, I agree with Mr. Thom in one respect, that it is well to have the atmosphere cleared. As stated by the chairman a moment ago, our contention perhaps has gone a little further than that. Of course, paragraph 8 of the resolution calls for certain information as to a comparison of rates between certain cities north and certain cities south. Mr. Thom remarked a moment ago that all you would have to do would be to prepare a table for that. I think that is not meeting the spirit of the resolution of the Senate, nor even its language. If that were all that the Senate called for, it could have been gotten by employing a clerk at $10 a week and could be gotten within two hours, or you could have ordered it furnished you by the Interstate Commerce Commission. That is only one of eight or nine paragraphs in this resolution, all tending toward one thing, and that is an investigation into the proposition as to whether or not, first, there is coal, and what the character of the coal is in the vicinity of the South Atlantic ports; second, the character of coal; third, the proximity of coal to the South Atlantic ports; and, fourth, the condition of the South Atlantic ports as to whether or not there are coal facilities, docking facilities there, and whether or not the wharfage or riparian rights have been bought up by the Coal Trust or anyone else, all leading to the question as to whether or not the Navy, and the public generally, will have the opportunity to utilize the South Atlantic ports for the exportation of coal, taking the coal from the most convenient and natural place for it, and, therefore, accomplishing the result they seek to accomplish in the natural, most normal way.

I call your attention to two or three paragraphs in this resolution, and I think it just as well to have it understood now. Paragraph 7 is on the question of discrimination now existing in favor of any one port on the Atlantic seaboard as against another port, etc. I call the committee's attention to this: Mr. Wright is now on the question of the comparison of rates into the southern territory when compared to the rates in other sections of the country. Suppose it is shown here that the rate from southwest Virginia, Kentucky, and Tennessee is 45 per cent higher on coal than in any other direction from any other section of the country, and suppose it is shown further on in his testimony that the rate is not only high, abnormally high, but that it is prohibitive, not only prohibitive, but that it enables the Coal Trust to send coal from Pennsylvania and New York to Philadelphia, Baltimore, and Norfolk and barge that coal around Cape Hatteras into Jacksonville, Savannah, and Charleston at a lower rate than coal can be shipped 440 miles from the mines to the seacoast. It is all right for my friend to say, if you are going into all these rates, that he is going to dump upon this committee that leaning tower of Pisa. We are not asking your committee to pass upon the reasonableness of a rate of 01.40 to Charleston or the prohibitory character of one particular rate from Bristol, Tenn., to Jacksonville, Fla.; we are not here to measure service with him on the question of the technique of any particular rate, but we are here to suggest to this committee that it is its duty, its right, and its privilege as legislators, looking forward as to what should be done

by the Senate and the House hereafter with regard to the general conditions in the South. He intimates that we can not ask this question as to whether or not the rates prevailing in the South to Atlantic seaports on coal are 40 or 45 per cent higher than in any other section of the country. I not only claim that the resolution breathes forth that purpose on the part of the Senate in its innumerable questions, but the resolution refers to the letter of Mr. Dulaney to Senator Tillman, in which Mr. Dulaney made certain specific charges, and Mr. Harrison asks for a full investigation of the whole mater. Among other things Mr. Dulaney says in this letter:

I believe a thorough investigation will show that the abnormally high local rates throughout the southern territory are due in a large measure to the need of revenues to meet such purchases and to the inflation of capital and bond issues caused thereby. I believe that an investigation will show the existence of a secret rate-making asosciation, and that all important freight rates in the territory in question are dominated by the Pennsylvania Railroad greatly to the detriment of all the other railroads involved, and unfair to the country they traverse.

Mr. Harrison comes back and joins issue with Mr. Dulaney in his letter of April 16, 1914, addressed to Senator Tillman, in which he says:

My attention has been called to a letter written to you by Mr. B. L. Dulaney, under date of March 25, 1914, and published in the Congressional Record of April 8, 1914.

This letter contains serious charges against the management of this company. They have been made on the floor of the Senate and have become a part of its record.

If they are true the management of this company ought to be exposed.

If they are false their author ought to be exposed.

I ask, on behalf of the Southern Railway Co., an opportunity to refute them and to that end that a speedy and thorough investigation be ordered and the results given as wide publicity as the charges.

Faithfully, yours,

FAIRFAX HARRISON, *President.*

Mr. Harrison took the stand to answer that, and he went into the details of the physical and financial condition of the Southern Railway Co., and he made the statement that those rates had to be higher because of the fixed obligations and fixed charges of the Southern Railway Co. Now, Mr. Thom says that this committee has simply to take the statistical tables and then shut its eyes as to the causes and not apply the probe at all to ascertain the real conditions. It seems to me that counsel is not willing to have an inquiry made by this committee or by the Senate into the causes of the prevalence of high rates in the South, and because of the peculiar condition of rates on his own road in the South being 45 per cent higher than the average in the South. That is what we are prepared to show, among many other things, all converging toward answering the questions propounded to this committee by the Senate itself.

The CHAIRMAN. Gentlemen, I do not think there is much difference between us. I do not think anybody contends that we are called upon, by this resolution, to fix rates for the Southern Railroad. At the same time I can see under resolutions 7 and 8 that it is proper for us to have a comparison of those facts. If this witness says that the rates on coal, and I would like for him to confine the rates to coal, are higher than other rates in the South it does have a bearing.

I do not believe that the committee will entertain a hearing upon the question as to whether the rates ought to be raised or lowered on general freight. We are interested in the coal situation, and the mere statement of the fact that rates are charged at a certain amount to certain ports, and a different amount charged to other ports affected, is a matter of materiality for this committee to consider, so it seems to me. Beyond that I doubt if we have the authority to go, or if it would be wise for the committee of the Senate to undertake to go.

Mr. THOM. Your honor, I will not undertake at this period of the committee's deliberations to go into an elaborate discussion of this resolution, because I do not think it is called for in view of what your honor said. I wish, however, to call your honor's attention to the fact that it is an undisputed fact in this record that the rate on coal from the southwest Virginia fields to Charleston is $1.40, the same as from the southwest Virginia fields to Norfolk. To go into questions of rates to the interior on coal is not called for by this resolution. You have before you practically the answer to this resolution already in the testimony that has been taken. You have before you the fact that there is a rate exactly the same from the southwest Virginia fields to Norfolk and other southwest Virginia fields to Charleston and $1.55 to Savannah.

The CHAIRMAN. I do not remember any testimony as to a rate into Savannah.

Mr. THOM. Mr. Rixey, my associate, said Savannah, but that is a matter of tariff and you can get that from the Interstate Commerce Commission. You also have before you the undisputed fact that prior to this investigation plans had been made to make and develop coal facilities at Charleston, and now I am prepared to show your honors by photographs that they are under way. That answers the bulk of this investigation, those two things, and anything more is simply a taking up of your valuable time.

The CHAIRMAN. I understood that the witness had finished with that subject. I do not believe there is much difference between counsel or the committee as to the jurisdiction of the committee and as to its purpose; that we are here to find out about coal rates and why coal does not go to these South Atlantic ports.

Mr. LYON. Proceed, Mr. Wright.

Mr. WRIGHT. Thirty-five per cent above the average produces $11,563,869, which latter sum represents the excess above the American average; and comparing the Southern Railway average ton-mile rate of 9.82 mills for 1913——

Mr. THOM. That is the ton-mile rate on all traffic?

Mr. WRIGHT. Yes, sir.

Mr. THOM. I object to that.

Mr. DOUGLAS. You have the rate on coal, too, have you not?

Mr. WRIGHT. I have.

Mr. THOM. I understand they are getting into the record a statement that will require months to answer.

Mr. LYON. If that is so, the Southern Railway Co. must be in a very bad way.

Mr. THOM. You know that is not so. I think that contains a scope that will not only be covered by the record I show your honors, but

it will require additional testimony to that, and Mr. Lyon knows it, and he was counsel in the very case here.

The CHAIRMAN. Let the witness go ahead.

Mr. WRIGHT. Thirty-five per cent above the average produces $11,563,869, which latter sum represents the excess above the American average; and comparing the Southern Railway average ton-mile rate of 9.82 mills for 1913 with the average ton-mile rate of 6.74 mills for the southern district (south of Potomac and Ohio Rivers and east of the Mississippi) shows the Southern Railway 46 per cent above the average, thus putting the excess at over $14,000,000 for 1913, above the average of the southern district, in which the Southern Railway is located (see Exhibit A), and that amount of excess naturally puts the Southern Railway territory at a disadvantage in competing with other territory enjoying normal freight rates. For comparison, the ton-mile freight rate of the Norfolk & Western for the year 1913——

Mr. THOM. Is that about all traffic or is it about coal?

Mr. WRIGHT. I am coming to coal now.

Mr. LYON. That is all traffic, Mr. Thom.

The CHAIRMAN. Gentlemen, that does not lead into any investigation as to whether the rates are high. If that is wrong as to the general level of rates of other railroads, that would be a matter for the Southern Railway to show. That illustrates very finely, it seems to me, that we are not here to inquire into what the rates should be; but if that is a fact, I can see no objection to allowing it to remain in the record. It may be a benefit to the committee, but I disabuse the mind of anybody now that we are going into the question of rate making.

Mr. THOM. The reasonableness of rates?

The CHAIRMAN. Yes.

Mr. RIXEY. May I say right here they are dealing with the rates on all traffic?

The CHAIRMAN. I understand that.

Mr. RIXEY. And they are undertaking to show the ton-mile earning on all traffic of the Southern Railway as compared with certain other lines in other sections of the country. They are putting that fact on the record. That may be true, every word of it, and yet the Southern Railway Co.'s rates may be lower. The rates actually charged may be lower than the rates on the other lines. If they are going to put that into the record, then we want an opportunity to go into that and explain it, and we do not want to be met with the proposition, when we come to it, that we are not talking about that, and have them say that we are going into something that is out of the record.

The CHAIRMAN. We will pass upon those questions when we come to them.

Mr. WRIGHT. For comparison, the ton-mile freight rate of the Norfolk & Western for the year 1913 was 4.24 mills, or 57 per cent, less than the Southern Railway, and the ton-mile rate of the Louisville & Nashville for that year was 7.79 mills, slightly above the American average but about 33 per cent less than the average of the Southern Railway. A comparison for 1914 gives substantially the same results. Exhibit A also shows the average ton-mile rate on

coal for the year 1913 for the southern district to be 3.99 mills, while the average ton-mile rate on coal of the Southern Railway for the same period was 5.95 mills, or practically 50 per cent higher than the average for the district in which the Southern Railway is located.

To illustrate the effect of rates on coal movement I have prepared three exhibits, marked 1, 2, and 3, the statistics being taken from "Mineral Resources of the United States" for the year 1913, and exhibits of carriers in Interstate Commerce Commission Docket No. 6324. From these exhibits it will be seen that the Norfolk & Western reduced its coal rates from Virginia mines in Clinch Valley district No. 2, to the east and southeast, 10 cents per ton in 1909, and from that time up to 1913 the coal shipments from those mines have increased from 391,703 tons in 1909 to 1,571,384 tons in 1913, or 332 per cent. In the neighboring fields it will be seen from these exhibits that the Virginia & Southwestern Railway (Southern Railway Co.) advanced its local rates from Lee and Wise Counties, Va., to the southeast in 1910 by the authority of the Interstate Commerce Commission in the Andys Ridge case, with the result that the increase from 1910 to 1913 in that part of Virginia served by the Southern Railway is 9.3 in four years.

Now, concerning charge 2, that coal mines located on the Southern Railway in southwestern Virginia, eastern Kentucky, and east Tennessee, have been and are bottled up, etc., I present as Exhibit 4 a statement made up from the directory of coal mines and coke ovens, issued by the coal freight agent of the Southern Railway for the year 1913, and from Circular G. I. S. No. 87, issued by the general freight agent of the Louisville & Nashville Railroad for 1913. From these reports it will be seen that the capacity of the mines in the territory mentioned was 21,750,000 tons, while the amount moved by the railroads was 10,130,195 tons, leaving a balance of 10,619,805 tons without a market. If the Southern Railway had moved this coal at the standard tidewater rate of $1.40 per long ton, that item alone would have increased its gross income by about $13,000,000 and at the same time it would have reduced its ton-mile rate considerably, and if the coal operators had sold this coal at $1 per long ton, it would have brought into the territory something like $9,500,000.

As further affecting charge 2 and applying also to charges 3, 4, and 5——

Mr. THOM. What do you mean by "charges 3, 4, and 5"?"

Mr. WRIGHT. Charges in the testimony.

Mr. THOM. Where are they? I do not understand that there are any charges.

The CHAIRMAN. Are those charges the propositions that you make?

Mr. DOUGLAS. Yes.

Mr. WRIGHT. The proposition that I found in the record here, which I undertake to answer.

The CHAIRMAN. What do you mean by charges?

Mr. LYON. This covers certain propositions which have been shown by the testimony of Mr. Harrison.

The CHAIRMAN. What proposition are you on now, 1 or 2?

Mr. WRIGHT. On No. 1.

Mr. THOM. As to the charges 2, 3, and 4, which he is now talking about, I want to know what they are.

The CHAIRMAN. Did you make mention of those in the beginning of your testimony?

Mr. WRIGHT. No; I did not.

The CHAIRMAN. Suppose you put them in now.

Mr. WRIGHT. I took those out to condense this.

Mr. LYON. The charges were made by Mr. Dulaney. Will you read those, Mr. Wright, the summary of Mr. Dulaney's testimony?

Mr. THOM. State where they came from.

Mr. LYON. From the evidence.

Mr. WRIGHT. The charges by the prosecution in this investigation——

Mr. THOM. Who is the prosecution?

Mr. LYON. Mr. Dulaney.

Mr. WRIGHT. I read Senator Tillman's statement in the evidence that Mr. Dulaney was the prosecutor.

Mr. THOM. You need not be sensitive about it.

Mr. WRIGHT. One. That the freight rates, more especially the coal-freight rates, in the southeastern territory—North Carolina, South Carolina, eastern Georgia, and Florida—are excessively or abnormally high.

The CHAIRMAN. Is that charge No. 1?

Mr. WRIGHT. Yes.

The CHAIRMAN. Now, go ahead.

Mr. WRIGHT. No. 2. That the coal mines served by the Southern Railway in southwest Virginia, eastern Kentucky, and east Tennessee have been and are bottled up and not allowed to reach the export markets and other markets accessible only through tidewater outlet, as at Norfolk and Charleston.

3. That the Southern Railway has created a monopoly by acquiring many other railroads in this section and throttled them, or at least prevented them from becoming active in the movement of coal from the mines mentioned.

4. That the coal rates of the Southern Railway Co. have been made so as to favor mines of the so-called Coal Trust and to throttle or suppress the independent mines of those not having a common ownership or control with the carriers.

5. That in the matter of the purchase of other roads by the Southern Railway Co. the voting trustees or their business associates have beeen allowed to make exorbitant profits, resulting in excessive capitalization.

6. That the Southern Railway Co. has not been managed in its own interest or in the interest of the territory it traverses, and that the men who have controlled the policies of the Southern Railway from its organization have little or no financial investment in it.

7. The prosecution further charges discrimination against tidewater seaports and cities south of Norfolk, Va., in favor of those north of Norfolk, including Norfolk, and general discrimination and unfair methods against producers located in the territory traversed by the Southern Railway.

Mr. THOM. Your testimony is supporting those charges?

Mr. WRIGHT. It is with reference to those charges.

As further affecting charge 2 and applying also to charges 3, 4, and 5, I present exhibits showing certain railroads that have been purchased or leased by the Southern Railway Co., as shown by the

testimony of Mr. Harrison, and by the use of the map I desire to elaborate.

Mr. THOM. What do you mean "as furnished by Mr. Harrison"?

Mr. WRIGHT. The letter addressed to the committee.

Mr. THOM. Your honors, you will recall the letter which you wrote and one which Senator Tillman wrote to Mr. Harrison calling for certain information. You will recall that I placed those two letters in your hands personally—I mean Mr. Harrison's reply in your hands personally—with the statement that I did not consider that the information therein contained was within the scope of this resolution. That I placed in your hands because we did not want to be even under the suspicion of not readily furnishing the information which was requested, and we asked you and the committee to consider whether or not that information was called for by this resolution. I repeat that request now, and, if necessary, will proceed to give my views in respect to it.

Mr. LYON. I wish the committee to understand that that is nothing but a compilation from the records of the Southern Railway.

Mr. THOM. My position is it is not pertinent to this investigation. These charges are not within the scope of the resolution, at least some of them. I wish to be heard on that.

The CHAIRMAN. What is it your purpose to show by this table you are going to read into the record now?

Mr. WRIGHT. That an important line——

The CHAIRMAN. Which line?

Mr. WRIGHT. The Atlantic & Danville, a tidewater project for coal movement, is not so used, and is a source of great loss to the Southern Railway.

The CHAIRMAN. In other words, you claim that the purchase of the Atlantic & Danville Railway was not a good business venture as it has been operated?

Mr. WRIGHT. I simply offer the official record and show that that road was originally intended as a coal carrier, could be made one now, is not being so used, and that its general condition prohibits that, and to keep it in that condition is a source of loss to the Southern Railway as well as to the community it serves.

The CHAIRMAN. Do you make the claim that if it was allowed to carry coal it would be a profitable road?

Mr. WRIGHT. It would.

The CHAIRMAN. Mr. Thom, we will hear from you on that proposition.

Mr. THOM. I will first read the Senate resolution under which this committee is acting, and I do this in order to get clearly before the minds of the committee what they are there delegated by the Senate to do under this inquiry. After reading that I shall take up the items that are attempted to be introduced into this investigation to show, as I conceive, that they have no relation to the investigation which the committee is empowered to make. The resolution reads as follows:

(Mr. Thom read the resolution referred to.)

Now, that is the charter of your powers and the measure of your duties.

The CHAIRMAN. Just for our information, before you go any further, what other termini has the Atlantic & Danville?

Mr. THOM. The termini of the Atlantic & Danville are from the city of Danville, in the State of Virginia, to the city of Norfolk, also in the State of Virginia. It does not run to a seaport south of Hatteras.

Mr. DOUGLAS. Mr. Thom is not on the witness stand and he has no right to state anything with reference to the Atlantic & Danville, unless we are going into that matter.

The CHAIRMAN. That is the very question the witness was on.

Mr. THOM. I submit, notwithstanding the intervention of the gentleman, when the chairman of this committee asks me a question I have the right to answer.

The CHAIRMAN. Go ahead, Mr. Thom. I think anybody can know where the Atlantic & Danville runs.

Mr. THOM. It runs from the city of Danville to the city of Norfolk, and is to a port north of Cape Hatteras and not south of Cape Hatteras, and the point of the testimony which is now offered to this committee is the financial status of the Atlantic & Danville Railroad, the wisdom of its purchase by the Southern Railway Co., and whether it was worth what was given for it, and whether or not it is being used as the witness or somebody else would think it ought to be used, and there is not a scintilla of support for any such evidence found in the resolution under which the gentlemen of the committee are acting. I will go further and state what is intended, is illustrated by this line of inquiry. I have before me a batch of letters, probably 8 or 10 in number, written to Mr. Fairfax Harrison by Senator Tillman in the latter part of November asking for this kind of information—information directly on the lines the admissibility of which is now being considered by your honors. This information is asked about the Alabama Great Southern, a line running from Chattanooga, Tenn., to Meridian, Miss. We are asked for its capitalization, for the Southern Railway Co. holdings of the securities, for its cost to the Southern Railway Co., for its return to the Southern Railway Co. in dividends, for a complete history of its purchase by the Southern, the routing instructions on southbound traffic from competitive points served by both it and the Southern and for points on the Southern system east of Anniston Ala., and Cleveland, Tenn.

In respect to the Georgia, Southern & Florida, which is a railroad running from Macon, Ga., to Jacksonville, Tenn., we are asked for complete information showing relations between that company and the Southern Railway Co., for its capitalization, its annual earnings, for the correspondence covering the purchase of the property, for the reports of officials inspecting the same before purchase as to its physical conditions and as to its earning prospects. We are asked for the legal history of the Southern Railway Co.

We are asked, in respect of the Tallulah Falls Railway, which is a railway running from Cornelia, Ga., up into the mountains of North Carolina, the history of the property, the plan to connect it with the Carolina & Tennessee Southern and the Tennessee & Carolina Southern, for its length of construction, for the length and construction cost of the Carolina & Tennessee Southern, for the length of additional construction needed to connect with each other and with the Tallulah Falls Railway, for the mileage of this route between Knoxville, Atlanta, Macon, Augusta, Savannah, and Charles-

ton. We are asked whether the completion of this line would reduce the distance between the Ohio River and the South Atlantic coast. We are asked for correspondence covering this project, for the capitalization authorized and for the capitalization issued by the Tennessee & Carolina Southern and the Carolina & Tennessee Southern, those two lines being small lines designed to connect a point in North Carolina, the terminus of the Tallulah Falls, with a point in Tennessee, a terminus of a branch of the Southern.

In regard to the Chicago, Indiana & Louisville Railroad Co., which is a railroad running from Chicago south to Louisville and Cincinnati, we are asked for a copy of the agreement under which preferred and common stock of that company was exchanged for the Louisville & Nashville and Southern joint bonds; for the Southern Railway's annual disbursements for interest on those bonds; for receipts from dividends on that property, showing preferred and common separately, from the date of purchase to June 30, 1914; for reports of the Southern Railway officials on this property to determine its physical condition and future earning power. We are also asked for the correspondence with various parties concerning the proposed purchase.

In respect to the Mobile & Ohio, the railroad running from Mobile, Ala., to St. Louis, Mo., we are asked for the Southern's annual disbursement for interest for the Mobile & Ohio collateral 4 per cent bonds and stock certificates from 1901 to 1914, inclusive, each year separately; for the dividends, preferred and common, separately; for the dividend record of the Mobile & Ohio from 1890 to 1901; the Mobile & Ohio interest payments during the same period; for a copy of opinion of counsel approving purchase of the Mobile & Ohio stock; for the object of the purchase and exchange of securities. We are asked whether the two lines compete between Alabama coal fields or in any other territory. We are asked for the annual traffic balance showing interchange of freight from 1894 to 1901 and from 1901 to 1904.

In respect of the Carolina & Northwestern and the Caldwell & Northern, we are asked whether the Southern had any interest in these companies, and if so, what, and to describe it.

As to the Virginia Carolina Railway, we are asked for the original correspondence with the Norfolk & Western concerning its purchase by the Norfolk & Western and its extension into North Carolina.

In respect of the Norfolk & Western Railway, we are asked for the original contract for interchange of freight and participation in through rates on coal from Lynchburg, Walnut Cove, Winston-Salem, and other Virginia and Carolina points since January, 1898; we are asked for a detailed list of securities in the treasury of the Southern Railway Co. unclaimed from 1905 to 1914, inclusive.

As to the Knoxville & Bristol Railway, we are asked for a copy of report of inspection of this property as to physical condition and earning capacity before purchase.. We are asked for the original correspondence with Mr. H. M. Aiken and Mr. Bird M. Robinson and other directors or officials of the Knoxville & Bristol Railway concerning the purchase.

In respect of the Knoxville, Cumberland Gap & Louisville Railway, we are asked for the correspondence covering the purchase of

this line, its separation between the Louisville & Nashville and the Southern; for reports of Southern officials inspecting the property to determine its physical condition and earning prospects before purchase. We are asked for a statement of the gross and net earnings annually during its life as an independent property and since it was acquired by the Southern. We are asked what proportion of the Southern's interest disbursements have been charged or are properly chargeable to this company annually from date of purchase to January 30, 1914.

In regard to the Tennessee Northern Railway, we are asked for correspondence with La Follette and Searles, concerning its purchase, for the report of officials of inspection as to its physical condition and earning capacity, and correspondence with the Louisville & Nashville concerning purchase, interest, and dividend payment on bonds and stocks while operated separately and subsequent payments since securities went into Southern's treasury. We are asked for the gross and net earnings annually since the road was built and the tonnage of all freight handled.

In regard to the Cumberland Railroad we are asked for the correspondence covering purchase and joint operation of property, inspection reports before purchase on physical condition, on traffic and on earning prospects. We are asked for the gross and net earnings annually since purchase and the record of dividends and interest payments to January 30, 1914. We are also asked if the road is operated by the Southern and we are asked for a map showing the entire projected line and the part constructed.

As to the Danville & Western, which is a road running from Danville, Va., out to a place called Stuart, Va., we are asked for the relation between the Southern and that company and for the capitalization of that company.

The CHAIRMAN. Is Stuart in the coal field?

Mr. THOM. No, sir. We are asked for the gross and net earnings and the fixed charges annually since 1894.

The CHAIRMAN. I know it is not in the mines we have been inquiring about, but is it in any mine district?

Mr. THOM. No. We are asked for its cost to the Southern, and for a history of the negotiations.

In respect to the Atlantic and Yadkin, which is a railroad from a point called Sanford, an interior point in North Carolina, to a point in western North Carolina not related to a coal field, we are asked for the annual net earnings, for the interest on bonds guaranteed by the Southern, for dividends paid on stock, for tonnage of freight handled annually, and for the tonnage interchanged with the Atlantic Coast Line and the Norfolk & Western.

In respect of the Virginia & Southwestern, we are asked for monthly statements of earnings, expenses, and results of operations of the Appalachian Terminal Association; the results from the Norton Block and Stonega Block of the Interstate Railway. We are asked for the cost to the Virginia & Southwestern of assembling coal business in Stonega and Norton blocks. We are also asked for the cost of performing service from Appalachia to Bluff City, Bristol, Bulls Gap, and other points of delivery to connecting lines. We are asked for all this by months, beginning with the Interstate Railroad

agreement of January 29, 1909. We are asked for the cost of handling coal between Toms Creek and Appalachia when destined to points beyond, via the Louisville & Nashville or the Virginia & Southwestern. We are asked for the cost of moving coal between Speers Ferry and Marion, N. C., and between Speers Ferry and Spartanburg, S. C.

That, your honor, is in addition to the information I handed you personally and, at the time, made an objection to its admissibility or consideration in this case, because it was not relevant to the inquiry. However this matter may be approached, the fact is that we are confronted with the proposition that this investigation is intended to be and must be an investigation into the wisdom and into the honesty of the organization of the Southern Railway from 1894 to date. When that issue properly arises we are ready to meet it, we have no apprehension in respect of it, but we do believe that it is not a matter now before this committee, not a matter within the scope of the resolution under which this committee is acting and not a matter which it is in the public interest at this time for this committee to undertake to investigate. The effort here, may it please your honors, is to destroy the credit of the Southern Railway; it is an attack upon the very fundamentals of its organization, it is an attack notwithstanding the fact that it needs—under the view of this investigation which is useful to the public—all the credit that it can get in order to furnish the very facilities the absence of which is complained of in this matter.

It has been shown by the testimony that in order for us to have a grade as available for the handling of coal from the southwest Virginia fields to Charleston as the Norfolk & Western has for the handling of coal from the West Virginia fields to Norfolk, and to establish coal facilities at the harbor of Charleston would cost eleven million and a half dollars. It has been shown that we are going to make the effort, notwithstanding that handicap, to carry coal at the same rate from southwestern Virginia fields to Charleston that the Norfolk & Western gets from the West Virginia fields to Norfolk.

Manifestly it is to the interest of the public, if this movement of coal to the South Atlantic ports is to succeed, if it is to be valuable to the Navy and to the commerce of the country—manifestly it is to the advantage of the country that we should have the credit to get that $11,500,000 in order to revise our grades to that very point. And yet the proposition is presented here, and is not disguised, that here is an occasion not to facilitate that movement of coal, but an occasion to assault and to break down as far as possible the financial structure of the Southern Railway. Where is there a word in this resolution to justify that on the part of this committee? Where is there a public interest that requires it? Let us look at the situation as it confronts us to-day.

I hold in my hand the report of the Southern Railway lines for the period from July 1, 1914, to November 30, 1914. I call your honors' attention to the fact that during all but one month of that time there has been a war raging in Europe; that the result of that war has been absolutely to stop the movement of the cotton crop in the South; that that being the money crop of the southern people

there has been no business in other lines, and that exceptional situation exists there now which requires the patience, the wisdom, and the conservatism of the statesmanship of this country.

What has been the effect of that condition on the gross earnings of the Southern Railway in those five months? It has been a reduction of gross earnings in those five months of $2,897,409, a reduction of nearly 10 per cent as compared with the gross earnings during these same months in the year 1913.

What does it show by weeks in the way of a reduction? It shows that passenger traffic for the week ended November 13, 1914, lost in revenue 19.58 per cent over the same week of the previous year. It shows on freight for that same week a loss of 18.49 per cent. And for the four weeks of November it shows a loss of passenger revenues of 18.47 per cent, and of freight revenues of 21.50.

Now, we can stand that. We expect to make a success and to pull this great property through, but we need the help of the southern people, we need the help of the men that are in authority, we need to be treated with consideration and not at this time to be launched by enemies that would crush and destroy and dismember us into an investigation into this situation, which, if it were fairly used, I would have no difficulty about.

But I have no faith in the fairness of its use. I have seen a pamphlet published by the man who is said to be the prosecutor here, which I consider shows that it will not be fairly used. And here is an effort before this committee to resurrect a collapsed and a ruined set of charges in respect to what we are doing about the port of Charleston by attempting to create an agitation in regard to the financial organization of the Southern Railway Co.

Now, this resolution does not call for that. This resolution in no way justifies that. The effort to start out by taking this little road from Norfolk to Danville and to talk about its financial results is but a beginning of what is shown to you here by the answers to the letters which I handed to your honors, and by these letters which I am now presenting to this committee for consideration. If the time comes when it is proper, if the time comes when it is necessary, if the time comes when it is justified by any public sentiment in regard to whether or not this Southern Railway is properly organized, then we are ready to meet it. Then we will know the limitations of the resolution. We will know what we have to do; but now we are not in that position, because the Senate has neither authorized it nor does it expect it.

The CHAIRMAN. Mr. Thom, before you take your seat, let me ask you this. Over what route would coal go from the Appalachian fields, say, to Norfolk to use the Atlantic & Danville?

Mr. THOM. They all say that is an impracticable route. It has to go down through the mountains of North Carolina—by the Southern, I suppose, your honor means—down through Asheville and Greensboro, up to Danville, and then from Danville to Norfolk. The testimony shows that that is not claimed to be a practicable route.

The CHAIRMAN. We will hear Mr. Lyon, now.

Mr. LYON. If the committee please, it is well to clear the decks and find out what we are after here. We do claim that the very

reason these rates into this Southern territory of South Carolina, North Carolina, and Georgia, including the rates on coal to tidewater for shipment beyond, both as it affects the Navy and as it affects the bunkering of vessels and for the purpose of shipping coastwise coal to the northern points—we say that they are too high because of the very reason that the Southern Railway's revenues and the proceeds from its bonds have been used to buy such lines as the Atlantic & Danville Railroad, for which it has no particle of use as a transportation system, to prevent it from being extended as was intended by the men who first built it through the mountains to the coal fields.

We say that the using of the bonds of the Southern Railway to buy such railroads as that, to prevent its being built, to prevent the traffic from reaching its rails which would go over that route into Norfolk, it is due to that to-day that this great coal field has no means, no practical means, no economical means, no well-built railroads, no economically operated railroads to these ports of the south Atlantic coast, because the revenues of that great carrier and the proceeds from those bonds instead of being used to build railroads has been used to suppress railroads in the South.

Now, if the committee please, I first take the Atlantic & Danville. That is the one that has raised the question here. This red line on the map is the Southern Railway. From the south it has its line from Norfolk through Greensboro. Here is the Atlantic & Danville, running through this territory [indicating on the map]. It does not reach anything as it stands. It does not carry any traffic. The results of its operation, as shown by the report of the Southern Railway Co., is that it has no revenues, that there is a deficit every year, that the money from that portion of the Southern Railway that pays has to be taken to support that road.

Then, on this side, right across here, is the mountain, where it would connect with the Norfolk & Western Railway. How far is that, Mr. Wright?

Mr. WRIGHT. Forty or fifty miles.

Mr. LYON. Forty or fifty miles for that little connection there. That would connect with the Norfolk & Western Railway and lead in to the Pocahontas fields. But it has bought that. Its building is stopped. It is owned by the Southern Railway for no transportation reason that can be conceived.

Then, what is the next step? We find the Southern Railway and the Atlantic Coast Line buying this Cape Fear & Yadkin Valley Railroad, which, I think, was started probably 20 years ago by the people of North Carolina into the mountains of North Carolina to reach the coal fields—we find them buying this railroad, cutting it in two at Sanford, and conveying to the Atlantic Coast Line the portion from Sanford to Wilmington, and retaining the portion from Sanford up to Mount Airy and Greensboro. That will show a like deficit in its revenues. It is of no use to the Southern Railway. It is only to prevent competition. It is to prevent coal from moving down here to Wilmington.

If the committee will notice, there is no crossing of the mountain from this point in Virginia until we come to the C. C. & O., and down here to Asheville on the Southern Railway. In other words, through this entire territory, from up here in the middle of Virginia, down to the lower corner of Georgia, up to the time the C. C. & O.

was built but a few years ago, there was but one crossing in those mountains, and that by the route on which the commission of North Carolina had to allow a 10 per cent increase of rates, because the rails were so bad and the grades so high.

That was the only means by which coal could pass through this territory into these ports. Then they took up this Cape Fear road. Next they bought this road from Chester up here to Edgemont. Then the committee will notice there is a line that runs down through here to Pineola. It is about 10 or 15 miles across the mountain. That stopped. The Southern Railway owns these striped lines here [indicating on the map]; the red ones are the ones they operate directly.

Then we come down here to the road which leads up from Cornelia to Franklin, and from the Tennessee and Appalachia fields. We find the Southern buys that railroad. Its operation as reported by the Southern Railway shows a deficit.

Then it has a little piece of railroad in here. Then it has this piece down here. There ought to be an entrance into Savannah and Charleston from Tennessee fields via the Knoxville and Augusta and Tullulah Falls route. It has to come over the Asheville road, which has a very bad grade, or it has to go down here to Atlanta, as a good deal of it does, and come up this way. I figure that this route is 130 miles less than the route through Atlanta.

That is what has been done by the Southern Railway. They own those dead ends now, producing no revenue, carrying no traffic. They will always be a loss to the Southern Railway, with no public object except to prevent this coal from moving out.

Now, Mr. Dulaney says there is a purpose in it. Of course, we can not get men around to say that there is a Coal Trust and that this man or that man is a member of it. The United States has tried to suppress this trust business. We know that the rates from this territory, from Buffalo and Rochester clean down to the Pocahontas fields—that coal can move through all these ports, Norfolk, Baltimore, Philadelphia, and New York—and immense tonnage goes out those ports. It goes from Baltimore, Philadelphia, and New York to the South, along with the coal from Norfolk to the South.

We find those rates are $1.40, the highest rate, and $1.18, I think, the lowest. We find no rates down here on export coal, I think, until recently published when this investigation started or a year or so before. It is merely a paper rate now, as there is no pier over which to handle the coal. We find they had a $2.05 rate at Charleston and $2.10 at Savannah. We find this coal coming around this way by water; it can be carried by rail, dumped into barges, hauled around Cape Hatteras, tie up to the dock, pay dockage, and unload—all that can be done cheaper than the Southern Railway will haul the coal down and dump it directly into the vessels.

What is the reason for all this? Are we to be frightened off from this by the European war? That is the cry, that this thing must not be investigated now, the trouble must not be ascertained now, because somebody is fighting in Europe. They tell us about a 10 per cent reduction. If the committee wants to get the figures they will find the variation of freight business of the country is from 8 to 10 per cent a year. It goes up one year and down the next. I was

surprised it had not gone down more than Mr. Thom stated, due to the war.

Now, we say that the very vital question here as to whether that is discrimination against these places, not only to the ports but to the interior, is dependent upon whether the Southern Railway is properly organized; is dependent upon the proposition of whether the money has been expended which has been contributed through these bonds for the purpose of building real lines, or whether it has been expended for the suppression of transportation. And this testimony which we offer here is to show you that these lines—those striped lines in there [referring to the map]—are just dead ends, furnishing no public service except to take up a little local traffic.

For the year that this Atlantic & Danville was bought—1900 or something like that——

Mr. THOM. 1899 it was released.

Mr. WRIGHT. It was in 1899.

Mr. LYON. At the time the Virginia Railway was not in existence at all. Here was a line going right into substantially the same territory. It has 40 miles to connect in here. The Southern Railway buys it, and that is the end of it.

Then Mr. Henry Rodgers built a railroad costing fifty or sixty million dollars into this territory. Mr. Rodgers built a railroad which entered the Norfolk & Western and C. & O. territory in here. This line was headed for the Appalachia country, and the building of that railroad would have given this territory down here just as good an opening to Norfolk as the Norfolk & Western. But it was stopped. By whom? By the Southern Railway. Why we do not know.

If the committee is simply to do some clerical work; if it is simply going to send to the commission and secure rates to 30 cities, and say to the Senate, "We have it; here it is," the Senate will say, "But what is the reason?" We are giving you the reason, as we see it, and that reason is that these roads were bought up that are of no use to the Southern Railway, but are a burden upon it and an injury to the community.

What will be the remedy suggested by the Senate I do not know, but there have been remedies applied to railroads in recent years that have undertaken to monopolize an entire territory. Whether that is to be followed I do not know, but it might be a question before the Senate as to whether any laws of this country are being violated, and whether it would not be to the interest of the southern territory if these gateways were open. When you examine it you will find the Southern Railway practically controls every gateway across those mountains and has only one open.

The CHAIRMAN. Just for the record, state where that is.

Mr. LYON. At Asheville. There is no trouble about this. This road was nearly completed down here from Knoxville to Chilhowee, and from Fontana to Franklin. I believe only 11 miles remain to be built. The road is built through from Knoxville to Asheville. That is a road of very heavy grades. That is one over which Mr. Harrison says they can not haul coal cheaply. The C. C. & O. road here to the east of the Appalachia district now has connection with the C. & O., and goes up to the Lakes and the Northwest. That is

one of the best built and one of the most economically operated railroads in the country. There was evidence before the Interstate Commerce Commission, I believe, that they can haul three or four times as many tons behind a locomotive as via the Southern Railway over the Asheville route.

That railroad has little business. It only goes up here as far as Spartanburg; that is the one large place that it does reach. But there is an economical route that could be used; practically it is not used. I think one coal train a day goes over its rails. Why is that? That is one of the questions that may develop here. The rails are there. It connects with the Southern Railway. This little striped road [indicating on the map] is the Virginia & Southwestern. It connects with the C. C. & O., and that is the economical short route into all this Carolina territory. But it is one that is not much used. They haul back here to Bulls Gap, Morristown, and down through Asheville.

But the vital point in this case is dependent upon the question whether there is any explanation as to why these rates are so high; 40 to 50 per cent higher than other rates in the country on coal.

Mr. DOUGLAS. Mr. Chairman and gentlemen of the committee, I do not want to consume your time unnecessarily, but this is a crucial question. I say it is a crucial question because it is now to be determined whether or not this work is to go forward or to be stopped. I think it is susceptible of perfect demonstration, if it needs to be done, that the scope of this resolution not only permits, but requires investigation to go forward along the line on which we are trying to go forward with Mr. Wright's testimony. I have great respect for Mr. Thom; for him as a man, and for his ability as a lawyer; but I must resent and state that his attacks upon Mr. Dulaney, and indirectly upon his counsel, do him no credit.

The charge is made here that we are seeking, somebody is seeking, to break down the credit of the Southern Railway Co. That is an unworthy statement to come from so distinguished a lawyer and citizen as Mr. Thom. It proves, however, that it takes a man of some temerity, some courage, to fling down a challenge like this to a corporation like the Southern Railway. Mr. Dulaney has been the subject of abuse, violent abuse, and insinuations of all sorts from the commencement of this investigation to the present time. He simply comes down here to knock at the door of the United States Senate and ask on behalf of himself and others for some relief.

What did the Senate undertake to do? And the attack made by Mr. Thom is really now an attack upon the Senate—upon the action of the Senate. Let us see what the Senate said. I do not intend to read all this resolution, but merely the parts he did not emphasize on his reading. Here is the preamble. Let us see the point of view of the Senate in passing this resolution:

Whereas it appears from numerous complaints now before the Interstate Commerce Commission, as well as from other sources, that the power and influence of the so-called Coal Trust is being persistently used through the management of the railroads reaching South Atlantic ports to prevent the free movement of coal not belonging to said Coal Trust, and it is alleged that practically all of such roads are actually dominated by the same financial interests that control the great coal combines finding outlet chiefly through New York Harbor, Philadelphia, and the Chesapeake Bay ports.

That was the point of view of the Senate, and that was the consideration moving the Senate to pass this resolution. It is just like the preamble in a contract; it is like the introductory chapter in a book. It states the point of view, the scope, the idea or thought, the purpose of the body that follows it.

Now, it goes on—I am going to skip and give the parts that I think ought to be emphasized.

Said committee is further authorized and instructed to investigate as to the character and proximity of the coap supply, and the rates obtainable on coal from the coal fields near by.

And it goes on, on the subject of the naval supply:

That is, by the mines that have a common ownership or control with the coal carriers; and whether present conditions prevent competitive bidding for the United States Navy coal supply, or any part thereof, by independent coal operators.

Suppose, gentlemen of the committee, that the independent coal operators are in this section of the country—in southwestern Virginia, in Tennessee, and in Kentucky. Suppose the Coal Trust is so influencing the Southern Railroad and the other railroads in the South as to enable them to pay the rate from Pittsburgh to New York, from New York by steamer down to Charleston, and sell their coal at a lower rate than the road named by the Southern here? Does not that show beyond cavil or doubt that the present conditions in South Atlantic ports prevent competitive bidding for the United States Navy coal supply?

And the fourth subject of investigation is:

Why the Southern Railway has built no wharves or made no provision for handling tidewater coal at any of the South Atlantic ports, and whether the riparian rights and water frontage of South Atlantic harbors is not now being bought up by the parties in the interest of the Coal Trust.

Now comes the main one:

Seventh. Whether or not there is any discrimination now existing in favor of any one port on the Atlantic seaboard as against another port.

That is, whether or not there is discrimination in favor of Norfolk against the other South Atlantic ports; whether or not there is discrimination in favor of New York, Baltimore, and Philadelphia against South Atlantic ports; whether or not there is any discrimination in favor of any one port on the Atlantic seaboard as against another port. Is it merely the naming of a rate? Is it refusal to furnish coal cars? Is it in the bottling up of railroads that furnish a straight line? Is it in forcing the coal to go 500 or 600 miles instead of by the straight route—for instance, the Cumberland Gap? In what does the discrimination consist?

And whether or not any Coal Trust or combination of railroads and coal companies control the coal tonnage to any port or ports, and, if so, how; and whether or not the coal supply of West Virginia, Virginia, Pennsylvania, Tennessee, and Kentucky flows naturally and without unnecessary obstruction to their respective natural ports upon the Atlantic; and whether or not there is any discrimination in rates against any coal operators.

Then comes paragraph 8, in which this committee is told to make the comparisons suggested by Mr. Dulaney in his letter to Senator Tillman of April 8. That was the letter that Mr. Fairfax Harrison so glibly referred to.

The CHAIRMAN. Mr. Douglas, let me ask you, are you familiar with this map?

Mr. DOUGLAS. No, sir; not especially; Mr. Lyon is.

The CHAIRMAN. Did you say it was the C. & O. that came to Spartanburg?

Mr. LYON. The C. C. & O. The C. & O. is not given here.

The CHAIRMAN. I understood you to say the C. & O.

Mr. DOUGLAS. The last paragraph is not without its significance:

What actual ownership each director of the Southern Railway Co. has in that company, and what ownership, if any, is held in it by the individuals composing the trustees for the stockholders.

No fair-minded man intelligently and thoughtfully reading this resolution can fail to catch its spirit. The suggestion is to be read between all of its lines everywhere that the Senate suspects, and suspected when this resolution was passed, that the South, the southern coal operators, the southern coal consumers, and the people living and doing business in the southern ports, were not having at the hands of the railroads of that section, and especially at the hands of the Southern Railway, a square deal. The charge is made, or rather the intimation is thrown out—it stands out in this resolution, and this committee is asked to inquire into the facts, to apply the probe until it strikes the bone, to know whether or not the Southern Railway is being dominated by its own interests, its own owners, or is being dominated by other interests or other owners for ulterior purposes.

And then it is said here that we can not inquire whether or not the physical conditions make it impracticable for the United States Navy to have competitive prices for coal at Charleston, at Jacksonville, or at Savannah. You might just as well say that we can not go into the distance from the coal fields to the ports for the use and information of the Navy. They might as well say we can not go into the character of the coal, whether it is adapted to the uses of the Navy. They might just as well say we can not go into the depth of the harbor. They might just as well say we can not go into the question as to whether or not the railroads are railroads in name only instead of in fact, whether or not they are fitted by grade, by the size of rail, and by other physical conditions to haul that coal.

Is this Senate not entitled, through its natural committee, to ascertain all these physical conditions? Suppose it is found, Mr. Chairman, that there are railroads running right down to Charleston, down to Jacksonville, and down to Savannah; suppose it is found that the Southern Railway, for instance, will not haul the coal in its natural way, by its direct route; suppose it is found they refuse to make trackage arrangements with the Clinchfield, which means the most direct route; suppose it is found that the Southern Railway has bought up all the little lines which would be competitors to itself; suppose it is found that when it did that it stopped the road, that it refused to sell it, that it refused to extend it. I answer Mr. Thom by saying we are not going into the question of the wisdom or unwisdom of the purchase of these roads. I admit it would require an interminable investigation. We are, with the committee's permission, going into the question of the good faith of the purchase of those roads. We charge those roads were bought by the use of the money

of the Southern Railroad, aggregating the sum of $168,000,000; that the small roads were bought for the purpose of bottling them up, preventing their development, and preventing coal supplies and other products from reaching tidewater thereby.

I desire to call your attention not only to the scope of this resolution, but to the interpretation of it both by counsel and by the parties to this proceeding. Your honors will remember that when this letter of Mr. Dulaney's was written on April 8, making these specific charges, which was read into the record and is referred to specifically in the body of the resolution here, Mr. Harrison joined issued with him and asked the Senate to make a full investigation into all and singular the charges made. This committee will remember—Senator Johnson was not present, I believe, at the time Mr. Harrison testified—that my friend interrupted the order of the investigation by asking leave of the committee to put Mr. Harrison, the president of the Southern Railway Co., on the stand.

He put him on the stand immediately after Mr. Dulaney, and Mr. Harrison, under the wise guardianship and guidance of Mr. Thom, deliberately went into all the affairs of the Southern Railway Co., into its policies, into its organization, into its history, into the reasons for the acquisition of all the roads, charging and claiming that they were done for the purpose of obtaining feeders, saying that there was no bad faith connected with it, eulogizing its previous officers, his predecessors in office, and all that sort of thing.

And then what did he do? He took that testimony that he brought to the committee room already prepared, every "t" crossed and every "i" dotted, and delivered it under the guidance of Mr. Thom. He was cross-examined for a whole day by Mr. Lyon and myself. And Mr. Fairfax Harrison took that garbled testimony, that one part of his testimony, confining it to the direct examination, and caused it to be printed and circulated throughout the South. And then when Mr. Dulaney makes answer to it, following the example set by Mr. Harrison, Mr. Thom feels in his own conscience justified in criticizing Mr. Dulaney for striking back.

So I challenge him now to tell this committee how you can inquire into the real causes of the Southern Railway's policy, the real cause of bottling up Charleston, Savannah, Fernandina, Jacksonville, and all those ports and the mines themselves, unless we can go into what they do—not so much why they do it, not the wisdom of it, but the good faith of their conduct. I submit to the committee that unless we are allowed to go into this question of the domination of the Southern Railway and the reasons, the why and the wherefores, of their refusal to extend this line, then this investigation must be garbled, it must be crippled, it must be destroyed almost at its inception.

I just want to say this much in conclusion. My friend has referred to Charleston harbor. Then he refers to the rates on coal to Charleston, and the $1.40 rate. They have commented on it and taken great credit to themselves for that. The rate does constitute an oasis in the desert of this situation. That rate was wrung from the Southern Railway. Nobody knows it any better than Mr. Thom. And when they talk about the facilities for coal at Charleston everybody within the sound of my voice with the exception of the members of the

committee knows that the credit for forcing the building of the dock at Charleston, now in process of completion, belongs to this committee and to the United States Senate.

We make the charge—and we shall prove it by documentary evidence at a later stage—that the Southern Railway had no idea of building here; that they had a combination already made with Mr. Potter of the Clinchfield road by which they intended to build a pier that no one could enter without their consent, not a public pier open to everybody alike. And this decision by the Southern Railway to build that pier was reached after this matter was mooted in the United States Senate.

Mr. BULLITT. Mr. Chairman, before Mr. Thom proceeds, I would like to say one word with reference to our position.

The CHAIRMAN. Will you please state your name and whom you represent?

Mr. BULLITT. I represent the Stonega Coal & Coke Co., the company that Gen. Ayres represented at the former hearing. It is interested in this coal field route here around Appalachia [indicating on the map], between Appalachia and Norton, extending somewhat west of Appalachia but not going as far west as the Black Mountain fields which are represented by Mr. Dulaney.

Now, we are here, practically, to defend ourselves. Mr. Dulaney has charged Mr. Wentz and his company with being a party to this alleged coal trust. He has also charged that Mr. Wentz and his company, the Stonega Co., in the Andys Ridge coal case, engaged with the Southern Railway Co. in what he calls a "frame up." Along with Mr. Glasgow, of Philadelphia, I was counsel in the Andys Ridge case, representing all the coal companies who made a common fight in that case, including Mr. Dulaney's companies. The charge that that case was a frame up and that Mr. Wentz was a party to the frame up is a reflection upon Mr. Glasgow and myself, who were counsel in that case; and if there was a frame up, we, as counsel, were guilty of it, had knowledge of it, were bound to have had knowledge of it. I feel a great deal of personal interest in this case on account of that knowledge of it——

Mr. DOUGLAS. Pardon me, Mr. Bullitt. I submit, Mr. Chairman, that this is no time or place to interject that statement; it can not help but cloud instead of clarifying the situation.

Mr. BULLITT. I am coming to the point I want to make. We have come here and are interested in answering those charges. We want to answer those charges some time before Christmas. If this matter is gone into it will take until Christmas come a year to hear it. I do not think that people that are interested in this matter as we are ought to be required to sit and wait for our time to come while all of that matter is thrashed out unless it is pertinent to the record and pertinent to the investigation which your honors are making.

I want to add to what Mr. Thom has said a few words for the purpose of showing that there is no use in keeping us here for the next 12 months. And I say that, because if all that is gone into the Southern Railway Co. will necessarily have to have an opportunity to reply. It may necessitate a physical examination and a valuation of their lines, and you will be here for the next 12 months.

I say that the question with reference to the rates to Charleston—I happen to know something about that matter, because that property was purchased down there through Mr. Wentz for the Southern Railway last February, before this investigation was ever heard of, and arrangements made to complete that pier before this investigation was ever heard of; and the statement made by Mr. Douglas to the contrary is not correct.

With reference to the rates to Charleston, it seems to me, may it please the committee, that that is really the only thing that this committee is interested in. It is the only thing that the Navy is interested in. It is the only thing that gives them a toe hold here for the purpose of introducing any testimony in this case. If it appears that that rate has already been established and that the Southern Railway Co. in good faith is going to build docks at Charleston, what more is there to do? It matters not how the Southern was induced or forced to build—to acquire that property and build those docks—that is wholly immaterial. Mr. Dulaney may take the benefit of that and say that he is the one that caused that to be done, if he pleases.

Let him do that. But what difference does it make to the Navy, who forced it to be done, so long as it is being done, and so long as the rate is a fair rate? It was for this reason that I asked these gentlemen and challenged them to know whether they stated or would state that $1.40 rate was too high. If they claim that $1.40 rate is too high, then it would be perhaps relevant for them to go and show that they ought to have a lower rate, and to show why the Southern Railway can not give them a lower rate, because of these alleged purchases of other roads. If they do claim $1.40 is not a low enough rate, what difference does it make to them how many roads the Southern has purchased and how much they have paid for them?

Now, with reference to these intermediate rates, let us get clear with reference to them. As I understand, your honor, as to these intermediate rates between the Appalachian coal fields and Charleston, you are not here to investigate them. If so, I would ask your honor how could that record—5 or 6 cases pending, brought by the—and I am very familiar with all of these cases—consumers of cotton in the Carolinas, five or six different cases of which are pending. After hearing those cases in part, the commission, of its own motion, made an order consolidating all the cases, and saying that they would take all the rates of the whole South, from the West Virginia field, the Kentucky fields, the Tennessee fields, and would consider that whole matter together. We have been considering that matter together for the last 18 months, and there, your honors, is the record that shows why these different rates have been put in to all of these different points, these points, technical points, depending upon a thousand and one things, with which your honors are not familiar. The cases have been briefed, and here are the stack of briefs that have been filed before the commission by the different interests that are interested before the commission. The matter was heard three weeks ago by the commission, and the decision of the commission is now being awaited. Then, why should your honors undertake to investigate those intermediate rates? I insist that there is no reason on the top of the earth for doing that, and that the question of what the Southern Railway has done,

whether it is properly organized, whether it has bought properties which are not paying, is wholly immaterial, unless the rates being charged are unreasonable to those intermediate points; and that that is a matter we will hear from the Interstate Commerce Commission.

Therefore there is really nothing more that I can see for this committee to investigate, nothing at all, under the resolution, which gives these gentlemen the right to come in here and detain us for the next 12 months.

I want to add this, that if the committee does decide that it will hear the questions about the purchases of these different lines by the Southern Railway—if the committee does decide to do that—I ask the committee, in fairness to us, that the committee fix a time for the hearing of that and let us go home, and not come back here until that matter is over, because we are busy men and we have not the time to stay here to hear all of that sort of stuff.

Mr. DOUGLAS. That we will agree to.

Mr. BULLITT. Well, I want the committee to fix the time of it.

The CHAIRMAN. You want the committee to fix the time for the hearing against the Stonega Coal & Coke Co.?

Mr. BULLITT. If the committee does go into this question of hearing these things Mr. Thom has talked about, we would like to go home and then come back to give our testimony.

The CHAIRMAN. I understand.

Mr. THOM. May it please your honors, I have been arraigned before this committee for a criticism of Mr. Dulaney. That criticism may have been very measured. Let me remind the gentleman that I have a client as well as he, and that from the beginning of this case until now and in this presence here to-day I have sat here and listened to charges of impropriety, of dishonesty in organization, of an improper purpose to bottle up the transportation facilities of this country by my client; and yet, when I say a word of criticism against his client I am arraigned here as having done an unworthy thing. Let me say to the gentleman that I am willing to measure the question of my good credit, of my actions, or the worthiness of them, by his or by any man's, and I resent the idea that I should be arraigned here for anything that I have said. If I had desired to disturb or thought it proper to disturb the serenity or the propriety of these proceedings by resenting what has been said about my client I felt perfectly capable to have done so, but I concede that neither is a subject of reflection. If those gentlemen honestly believe that there is a matter here to investigate they have a right to have it investigated, and if I feel that his client is acting in a discreditable way I have the same right to say so, and I will claim it and exercise it until it is denied to me by a higher power.

Now, the disguise is off of this case; the soft and gentle protests that they have made are now thrown aside and the whole spirit and purpose of this inquiry has been proclaimed to your honors by Mr. Lyon, one of the counsel on the other side. He has said that it is the purpose of that side to challenge the organization, the wisdom of the organization, and the honesty of the organization of the Southern Railway Co. now and here before this committee as bearing upon and as pertinent to this case.

The question then comes, as I assume it came, to whether or not it is within the scope of this resolution. They talk about charges,

they talk about letters. All of that has been interpreted by the Senate of the United States and is placed in the charter of your obligations and your duties. The views of parties whether or not this testimony or that testimony has been offered and has been heard can not serve to extend the scope of an investigation ordered by the Senate, five members of the Senate sitting to carry out its orders.

The question at last is, What is in that resolution and what you are required to do? If you determine that you are required to do what is asked on the other side, well and good. We will know then where we stand; we will know what it is necessary for us to do in the preparation of our case; we will know that every step that has been taken in the organization of this railroad from 1894 must be justified before this committee; we will undertake that work; we will go into each one of those transactions; we will show that there is not a scintilla of justice or right in the charge that is made here against us; we will show that we are not actuated by any purpose to bottle up any of the transportation facilities of the South, but, on the contrary, that along the lines of the Southern Railway Co. the country blooms as a rose, in a way that exists nowhere else in this southern country; we will show that for every mile of its track south of the Virginia-Carolina line there is a factory giving forth its products, attracted there by the transportation facilities which the Southern has organized and has established for the benefit of the public; we will show that the great commerce of the South moves more over its lines than over any other lines in this country; we will show the growth of its cities, growth of the population along its lines in the country, the development of its industries, and we will point to them as our vindication and ask the other side what they can point to as ever having done for the public in all the course of their lives.

We will ask you to contrast what the Southern Railway has done with this attack upon it; we will ask you to look at the public interest and the service that we are rendering to the public interest, and contrast that with any public service that anybody has ever heard of from these people that are attacking us here. We will go beyond that, may it please your honors, and show, as an indication of the unwisdom and the impropriety of any such investigation, that there is no man now connected with the Southern Railway management that has one scintilla of right to the discredit or one scintilla of right to the enormous credit of having established the Southern Railway, whichever that may be. We will show that the great genius who brought together these disjointed and broken-down properties in the South and created the greatest transportation system in it has, since that fateful Thanksgiving Day in 1906—lain dead in his grave; that he is entitled to the credit for this organization, and that this attack is an effort to tear open his closed grave, to take advantage of his silent lips, and to disparage a career that stands equal to any in its usefulness in the last half century of this country's prosperous history. He is silent, and we call attention to the fact that, in the language of one of the great statesmen of the South, "When Prometheus was chained to the rock it was a vulture and not an eagle that struck him"; and we know the kind of animal that tears open graves, and we know it is not the lion.

Now, our task will be, if these things are gone into, to gather up and place before you the motives, the purposes, the justifications of this great man who made the Southern Railway Co., and who dedicated it as an instrument of usefulness to this great Republic. We shall undertake to do it, if you say so. We shall undertake to show you the value of all these properties that he bought, and ask an opportunity to do that in a wise and reliable manner. We shall call your attention to the fact that the effort made here to separate these lines into separate and distinct branches, and to show you the results of their operation, is a system that would destroy the value of every railroad in this country.

I heard one of the most successful railroad managers in the South say that you could take separate properties of his system and demonstrate that every one of them was run at a loss, and yet the result of the whole was a splendid profit. Now, why is that? It is because if you take and consider them one by one and each in itself you measure its earnings by the service rendered on its lines, whereas if it is thrown into a system every pound of traffic that comes from the branch or feeder lines adds to the earnings of the main line for every mile that is carried.

So your honors will see that my friend Mr. Douglas is obliged to ask you to read between the lines of this resolution to find your powers. Ordinarily, you find it in the lines, but I hear the invitation to "kindly read between the lines." I suppose that what is between the lines is dependent upon the imagination and the inclination of him who reads and not upon what is in the lines. I know of no way of reading between the lines of a legal document. The only way that I have ever found for doing that is that I must find in its language and in its expression a justification for the construction which is given it.

An intimation was made here just now that the Southern Railway Co. was bottling up the Clinchfield; that that road only went down to Spartanburg, and could not get to the sea. Well, of course, these gentlemen would not have made that suggestion if they had known that there is already an exceedingly satisfactory traffic arrangement by which every pound of coal which is brought from Clinchfield to Spartanburg on its way to tidewater moves over our lines at a rate that is satisfactory to them and by a service which is satisfactory to them.

How are they going to show that there is a Coal Trust controlling the affairs of the Southern Railway? I do not think they can, but certainly some foundation for that must be laid by testimony before they can go into all these indefinite inferences and try to draw from them an idea of what it would have been wise to organize the Southern Railway Co. into, instead of what the men that actually performed that public service thought was wise.

Mr. Chairman, there is one other thing before I submit this question that I wish to say. Mr. Harrison has been charged here with having presented to the public a garbled statement of his testimony. I resent that. I think that is a grave injustice. He presented his testimony in chief; he did not print the cross-examination. The reason that he did not print the cross-examination is because he shared the opinion which I had and have that the cross-examination

amounted to nothing and there was nothing in it to publish. Now, whatever these gentlemen may think of it, he was justified in taking that view, and the justification does not exist for declaring that he furnished a garbled statement.

I ask the committee now to determine the scope of this resolution, so that we may all be advised as to what we are to do in conducting the examination.

The CHAIRMAN. It is now 20 minutes to 1 o'clock, and the question raised is an important one, and the committee will announce its decision at 2.30, when we proceed.

(Thereupon, at 12.40 o'clock p. m., the committee stood at recess until 2.30 o'clock this afternoon.)

AFTER RECESS.

The committee reassembled at 2.30 o'clock p. m., pursuant to recess taken.

The CHAIRMAN. Gentlemen, Senator Johnson and I have very carefully considered the matter of the admissability of the evidence offered, and have reached the conclusion that, as applied to the Atlantic & Danville Railroad, the evidence offered is within the scope of the resolution and is material. Mr. Wright you may go ahead.

Mr. THOM. Does that conclusion of the committee cover the whole line?

The CHAIRMAN. It does not; it covers this particular road. I will be very frank with you, Mr. Thom, since you have raised the question, that it is our opinion as applying to roads leading into or near to the coal fields, roads obtained, bought or controlled, or leased by the Southern, evidence would be admissible. As to roads acquired by the Southern, which do not lead to or form a connecting link to coal mines, it would not be material. For instance, a road running from Trenton to Augusta. If there are any questions asked as to the acquisition of that road, whether it was profitable or otherwise, the committee do not think that evidence as to its acquisition will be material.

Mr. THOM. We, of course, will have a full apportunity to answer this testimony about those that are admitted?

The CHAIRMAN. Certainly.

Mr. WRIGHT. From this exhibit it will be seen——

Senator JOHNSON. Which exhibit?

Mr. WRIGHT. Exhibit 5, which I had filed, that the Atlantic & Danville has been under control or management of the Southern Railway for 14 years; that during that period the net income has not paid the rental charge assumed by the Southern Railway, the deficit being $931,959.29. It shows that this property has been on the decline from the time it was taken over by the Southern Railway Co.; for the net income for the 10 months ending June 30, 1900, lacked only $5,730.29 of meeting the rental for that year, while after 14 years of unchanged management the net income for the year ending June 30, 1914, lacked $131,487 of meeting the rental charges.

These figures show that the earning power of this road has not increased, but diminished, and that it is a burden to the Southern Railway Co.; and that it could not have served efficiently the locality through which it runs; and in this connection it would be worth

something to know how many of the industries, if any, mentioned in the report of the retiring voting trustees, page 6, as having been established during their trusteeship, were located on the Atlantic & Danville Railway, for it does not seem possible that industries consuming coal in quantity could exist on that line of competition with similar industries located in the same territory on the Norfolk & Western and Virginian Railways, for example, where the coal rates are 40 per cent less.

The CHAIRMAN. Are you through, now, with the Atlantic & Danville?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What is the next?

Mr. WRIGHT. Danville & Western.

The CHAIRMAN. Where does that run from?

Mr. WRIGHT. From Danville to Stuart. You see it on the map. Mr. Lyon will please show it.

(Mr. Lyon thereupon indicated, as requested, on map on committee room wall.)

Mr. THOM. That has no relation to coal at all.

The CHAIRMAN. Mr. Wright, do not repeat things shown in Mr. Harrison's memorandum that accompanied his letter of October 10.

Mr. WRIGHT. These exhibits will not conflict with that until we reach the Knoxville and Bristol.

The CHAIRMAN. Well, go ahead.

Mr. WRIGHT. Exhibit 5a, Danville & Western Railway.

Mr. THOM. Does your honor rule that that is involved?

The CHAIRMAN. That is owned or controlled by the Southern; I think so.

Mr. THOM. I understood your ruling to be that those roads that run into the coal district——

The CHAIRMAN. Or near to the coal district.

Mr. THOM. That is not so of this road. My question is to find out whether it is——

The CHAIRMAN. I think it is near enough, Mr. Thom, to make the evidence material.

Mr. WRIGHT. Exhibit 5a, Danville & Western Railway, Danville to Stuart, 75 miles; branch, 8 miles; total, 83. Capitalization: Bonds, $1,052,000; stock, $368,000; total, $1,420,000; all owned by the Southern Railway Co. except one bond for $1,000.

The CHAIRMAN. Mr. Wright, you are offering these exhibits. There is no real use to repeat. Anybody who can read can see that. If you have any comment to make on it, or any evidence to give with reference to it, you may do so.

Mr. LYON. Just state, Mr. Wright, what the deficit was for the whole period.

Mr. WRIGHT. $61,705; but it should be stated that there was surplus in the earnings of this road for the years ending June, 1910, 1911, and 1912, amounting to about $18,000 or $20,000. The net deficit to date is $61,705 for the period mentioned. This line in connection with the Atlantic & Danville Railway comprises 280 miles of the projected line from tidewater at Norfolk, Va., to the southwest Virginia coal fields via the Virginia & Southwestern Railway, also a Southern Railway property. The uncompleted distance—Stuart, Va., to Mountain City, Tenn., is 95 miles.

Exhibit 6, concerning Cape Fear & Yadkin Valley Railway——

Mr. LYON. Do you know where that road is, Senator Tillman?

Senator TILLMAN. I would be pleased to be shown.

Mr. WRIGHT. Extending from Mount Airy, N. C., to Sanford, N. C. This road extended originally from Mount Airy, N. C., to Wilmington, N. C. Until January 31, 1899, it was known as the Cape Fear & Yadkin Valley Railway, and had 284 miles. On May 13, 1899, there was conveyed to the Atlantic Coast Line 118 miles, from Sanford to Wilmington. The mileage owned by the Atlantic & Yadkin Railway (Southern Railway) since May 13, 1899, the present corporate name of the road, with two or three small branches, comprises 166 miles of road.

The CHAIRMAN. Is the road from Greensboro to Wilkesboro included in that?

Mr. WRIGHT. No, sir; that is another railroad.

The CHAIRMAN. Do you say that the Southern obtained that road prior to its sale of the road from Sanford to Wilmington to the Coast Line?

Mr. WRIGHT. The gentleman who handled the transaction is sitting here.

Mr. LYON. State——

The CHAIRMAN. Can you answer the question?

Mr. WRIGHT. I think I can.

The CHAIRMAN. Was it after the Southern bought the stretch of road from Sanford to Mount Airy that it sold the piece of road from Sanford to Wilmington; that it purchased all that road before it sold the other?

Mr. WRIGHT. A committee purchased the road.

Mr. LYON. The whole road?

Mr. WRIGHT. The whole road, at an auction sale. We have the North Carolina State commission's record.

The CHAIRMAN. Then it was purchased before, was it not?

Mr. WRIGHT. It was purchased before by this committee.

The CHAIRMAN. That answers the question.

Mr. WRIGHT. The Atlantic & Yadkin Valley Railway——

Mr. THOM. Would you like to have that situation plainer before you?

Mr. DOUGLAS. We would rather not have any interpolations.

The CHAIRMAN. If there is a mistake about it; of course we want the facts.

Mr. THOM. The facts are just these: That the Cape Fear & Yadkin Valley had a mortgage on it, which was foreclosed; that the Atlantic Coast Line bought up some of the bonds of that company, and the Southern Railway Co. bought up some of the bonds that had been issued. At foreclosure sale the whole road was bought in by a committee representing the bondholders; and that after that the road was divided between the people who were interested in the bonds, by the new company which took it over conveying to the Atlantic Coast Line the part of the road from Sanford east to Wilmington, retaining the part from Sanford to Mount Airy, and the Southern road being in control of that remaining company, which held the line from Sanford west to Mount Airy——

Mr. DOUGLAS. That mortgage was owned and controlled by George F. Baker, was it not?

Mr. THOM. I never heard of it.

The CHAIRMAN. Who purchased the whole property at the sale?

Mr. THOM. A committee of bondholders.

The CHAIRMAN. Who did they represent?

Mr. THOM. A committee of bondholders.

Mr. LYON. If the committee please, I will relate the balance of the story. The two roads bought up that property, the bonds, and tried to get the court to cut the road in two and sell it at auction. The court—I think Judge Simonton in the case—forbid that being done, and said it was a road built by the people of North Carolina to extend from the port of Wilmington to the mountains, and he would not permit it to be sawed into sections and sold. Then this committee was appointed, complied with the ruling of the court, and then dismembered the road.

Mr. THOM. It may be perhaps that to attempt at this point to clear the matter up will result in confusion, but I just want to add this, that the action of Judge Simonton was a question of more or less how the road should be sold to satisfy the bondholders, whether as a whole or in sections.

The CHAIRMAN. If Mr. Wright is mistaken about his statement it can be corrected.

Senator POINDEXTER. Mr. Thom, you say that the Southern Railroad was in control of the company that retained the remainder of the road from Sanford to Mount Airy?

Mr. THOM. Yes.

Senator POINDEXTER. Was that the same company that originally bought the entire road?

Mr. THOM. It was a committee that bought the road, and then a company was organized and took over the road, and that road was taken over and sold—the part east of Sanford—to the Atlantic Coast Line. Of course, they have retained the balance of the road, the Southern Railway having the stock of that company.

Senator POINDEXTER. Then the Southern Railroad controlled the entire line?

Mr. THOM. No; that company controlled the portion west of Sanford.

Senator POINDEXTER. The Southern Railroad controlled the company?

Mr. THOM. The Southern Railroad did not control the company, except as a part of this proceeding that I am telling you of; that was the method pursued for the purpose of giving to the Atlantic Coast Line the portion east of Sanford and to the Southern Railroad the portion west of Sanford.

Senator POINDEXTER. And yet it strikes me it might possibly be of some importance, and I repeat the question. I want to be clear as to what your statement is. You said, I think, that the Southern Railroad was in control of the company that retained that portion of the road from Sanford to Mount Airy?

Mr. THOM. Yes.

Senator POINDEXTER. Now, was that the same company that sold a portion of the road from Sanford to Wilmington to the Atlantic Coast Line?

Mr. THOM. It was.

Senator POINDEXTER. That is all.

Mr. WRIGHT. The capitalization of the Atlantic & Yadkin is: Bonds, $1,500,000; stock, $1,000,000; total capitalization, $2,500,000. Of the $1,500,000, 4 per cent bonds were sold to A. Iselin & Co. in May, 1899, at 93½, yielding $1,402,500, which, deducted from amount paid by Southern Railway for property, $1,677,886.83, leaves the cost of stock in round numbers $275,386.83; book value, Southern Railway report for year ending June 30, 1914, $83,808.09; interest, 4 per cent on $1,500,000, $60,000. The Interstate Commerce Commission reports the profit and loss debit to the operations, June 30, 1913, $91,252.48, which is a substantial reduction from the same debit item of 1912. This road is a competitor of all Atlantic Coast Line rails entering Wilmington, N. C., and of all Southern Railway lines in northern and northwest North Carolina.

In connection with the proposed Norfolk & Western extension to Mount Airy, N. C.—30 miles—forms the shortest line to the coal fields of Virginia and West Virginia. We have the file of the North Carolina State Corporation Commission on this subject, the complete file, and the case, which I understand now is in the hands of the Department of Justice. Senator Tillman wrote Mr. Harrison November 25, 1914:

Referring to the memorandum of railroads purchased by the Southern Railway between January 1, 1896, and June 15, 1914, which you submitted at the hearing on July 28, 1914:

Atlantic & Yadkin Railroad. Please advise annual net earnings of this company and the interest charges on the bonds guaranteed by the Southern Railway and any dividends which have been paid on the stock; also the tonnage of freight handled annually, and the tonnage interchanged annually with the Atlantic Coast Line and Norfolk & Western Railway.

No reply has been received to that letter.

Mr. THOM. You understand why that is; the question was raised this morning?

The CHAIRMAN. I understand.

Mr. WRIGHT. Exhibit 8, Carolina & Northwestern Railway——

Mr. THOM. Is this witness testifying as the witness of the committee?

Mr. LYON. No, sir; he is testifying as the witness of B. L. Dulaney.

The CHAIRMAN. He was employed by the committee, too, or by Senator Tillman.

Mr. LYON. I mean our position——

Mr. WRIGHT. Exhibit No. 8 is the Carolina & Northwestern Railway. Mr. Lyon will indicate on the map.

(Mr. Lyon did as requested.)

Mr. WRIGHT. It runs from Chester, S. C., to Edgemont, N. C.

The CHAIRMAN. Why do you leave out the road from Greensboro to Wilkesboro? Are you going to give that?

Mr. WRIGHT. That is a part of the Southern Railway system.

The CHAIRMAN. Have you anything to say about that?

Mr. WRIGHT. No, sir; I have not, to-day.

The CHAIRMAN. All right; proceed.

Mr. WRIGHT. Now, taking up the road from Chester to Edgemont. The Carolina & Northwestern Railway, which is not in Mr. Harrison's——

Senator TILLMAN. I will say, for your information, Mr. Wright, that I telegraphed Mr. Barber yesterday in regard to that road, and

I received a telegram from him this morning saying that he would send the information as soon as possible.

The CHAIRMAN. Mr. Wright, have you any information with reference to that road?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Let us have it.

Mr. THOM. Do I understand, your honors, that the committee will, of its own motion, exclude those roads that they do not think the inquiries are pertinent to?

The CHAIRMAN. Yes.

Mr. THOM. Or shall I bring that matter to the attention of the committee, sir?

The CHAIRMAN. I stated it was not the intention of the committee to consider any roads, except what might be called "coal-carrying roads" or potential connections.

Mr. THOM. The witness will now bring up road after road, and the question will arise, What course shall we pursue?

The CHAIRMAN. Mr. Thom, it is not our intention to go into that.

Mr. THOM. I raise that point about that road, that it is not within the ruling of the committee.

The CHAIRMAN. Well, I think it is.

Mr. WRIGHT. The Carolina & Northwestern Railroad extends from Chester, S. C., to Edgemont, N. C., 134 miles. You see, Edgemont is just south of the Blue Ridge Mountains and opposite Pineola. The distance is 10 miles. It has a capital of 5 per cent bonds, $1,528,000, and has assumed $543,000, 5 per cent bonds of the Caldwell & Northern Railway which is the northern end, and has in 4 per cent first preferred $550,000, and common stock $854,250. The bonds are all in the treasury of the Southern Railway, carried at a book value of $2,016,541. The ownership of the stock is unknown. The results for the year ending 1913 show a deficit of $10,000, after paying the interest charges.

This road extended about 30 miles from Edgemont, N. C., to Butler, Tenn., would make a short line from the southwest Virginia coal fields to tidewater at Charleston, S. C.

Mr. LYON. Where is Butler, Mr. Wright?

Mr. WRIGHT. Just below Mountain City, on the Virginia & Southwestern.

Senator TILLMAN. What is the distance between the two termini?

Mr. WRIGHT. Approximately, 30 miles.

Senator TILLMAN. Is it in the mountains?

Mr. WRIGHT. Yes, sir; all in the mountains.

Mr. LYON. What road would it strike at Butler?

Mr. WRIGHT. The Virginia & Southwestern, also belonging to the Southern Railway.

Mr. DOUGLAS. Give the distance it would be from Charleston to the Appalachian field.

Mr. WRIGHT. I have another exhibit giving that.

The CHAIRMAN. Are you through with that road?

Mr. WRIGHT. Yes.

The CHAIRMAN. What is the next?

Mr. WRIGHT. South Carolina & Georgia Extension, No. 7 Exhibit, now a part of the Southern Railway, Carolina Division, Kingville to Marion, through Blacksburg.

Mr. LYON. Blacksburg is not on the map here.

Senator TILLMAN. It used to be known as the C. C. C.

Mr. WRIGHT. It was built as a part of the original coal line to Charleston.

The CHAIRMAN. Have you any information as to when that was obtained?

Mr. WRIGHT. Mr. Harrison refers to it in his testimony, and we have no further information than that.

The CHAIRMAN. Does his testimony say when it was bought?

Mr. WRIGHT. It gives the date of the absorption, but it does not say when bought or paid for. Our information, obtained from the records of the legislature at Columbia, S. C., traces the passing of the enabling act covering the merger of that line with the Asheville & Spartanburg, between Asheville and Spartanburg——

The CHAIRMAN. Give the date; when was it?

Mr. WRIGHT. February 19, 1902.

The CHAIRMAN. When did they take over the road from Chester to Edgemont?

Mr. WRIGHT. We can not tell that, sir; it does not appear in the Southern Railway's report to its stockholders and the Interstate Commerce Commission shows that the securities, $1,528,000, are in the treasury of the Southern Railroad, but we could get no date.

The CHAIRMAN. Was it in the control of the Southern before it obtained the road from the Kingville to Marion?

Mr. WRIGHT. I am satisfied it was not, sir.

Mr. DOUGLAS. We have a witness summoned——

The CHAIRMAN. From Kingville to Marion was it obtained first, or before the road from Chester to Edgemont?

Mr. WRIGHT. That is my opinion. I do not believe there was any connection between those two transactions. We have not asserted that the stock of the Carolina & Northwestern now belongs to the Southern Railway.

The CHAIRMAN. How do they hold it?

Mr. WRIGHT. They own all the bonds, first mortgage.

Mr. DOUGLAS. I want to say, Mr. Chairman, that we have a witness summoned on the question of the ownership of that stock.

The CHAIRMAN. When was the Clinchfield put in there, before or after the Southern had either or both of those two lines you have been just describing?

Mr. WRIGHT. The Clinchfield was opened up about February, 1909.

The CHAIRMAN. That was long after?

Mr. WRIGHT. Long after, probably seven years after the Southern merged the C. C. C. into their Southern Railway, Carolina division.

The CHAIRMAN. Did the Clinchfield build that road, or did it acquire other roads?

Mr. WRIGHT. The Clinchfield constructed the line through the Blue Ridge Mountains, down to Johnson City. There were 21 miles—from there south, Johnson City to Erwin, was about 21 miles of line already constructed, which the Clinchfield people purchased, and they rebuilt it, however, and they have new construction from there to Spartanburg.

The CHAIRMAN. How about north, up into the coal fields?

Mr. WRIGHT. They bought the Lick Creek & Lake Erie, which was not over 10 miles long, and the rest is new construction.

Mr. THOM. I would like, specifically, as these roads come, the ruling of the committee. Are your honors of the opinion that this is within your ruling, the road Mr. Wright is now talking about, that three-C road, as I understand it?

The CHAIRMAN. That is the opinion of the committee, Mr. Thom.

Mr. THOM. I will just ask, as each road comes up, for the ruling.

Mr. WRIGHT. Our exhibits will remain incomplete until we hear from South Carolina authorities, and I will put in complete data then.

The Southern Railway, Carolina division, is now composed of the Asheville & Spartanburg, the Southern Carolina & Georgia Extension Railroad, which he have been discussing, the South Carolina & Georgia Railroad running from Charleston to Augusta.

The CHAIRMAN. Wait a minute, now.

(After referring to map.)

Mr. WRIGHT. And the Spartanburg, Union & Columbia from Spartanburg to Columbia, and the Transylvania, up in the mountains, from Asheville to Toxaway, I think, and the Carolina Midland. That road is a merger of all those lines; it is leased to the Southern Railway for interest on its bond issue of $5,000,000 and makes no operating report. The Interstate Commerce Commission has promised us some return on that, but it is paying the interest and, I think, dividends.

The CHAIRMAN. I do not see that those roads would be involved in this hearing.

Mr. WRIGHT. The line from Asheville to Charleston is the most important road in the whole movement.

The CHAIRMAN. You say from Asheville to Spartanburg?

Mr. WRIGHT. And from Spartanburg to Columbia, and from Columbia to Charleston—the merger of three lines there.

The CHAIRMAN. When did that take place?

Mr. WRIGHT. May I look at Mr. Harrison's testimony?

The CHAIRMAN. I do not see how any point could be made out of that, because those roads taken together lead directly into the field; they do not go part of the way and stop.

Mr. LYON. Mr. Wright, is not that the road over which the coal is hauled?

The CHAIRMAN. They do use that?

Mr. LYON. They do use it.

Mr. WRIGHT. May I explain the exhibit?

Mr. LYON. Do so if the chairman thinks it is important.

Mr. WRIGHT. The line to Marion from Kingsville was part of the through line projected for the handling of coal from southwest Virginia to Charleston, S. C. It failed in 1893, and fell into the hands of the Southern; was merged in 1902 with the others. It is a parallel and competing line with the line from Asheville to Kingsville.

The CHAIRMAN. Which did the Southern obtain first—the route from Columbia to Asheville by way of Spartanburg or the route from Kingsville to Marion?

Mr. WRIGHT. They obtained the Asheville and Spartanburg line first.

The CHAIRMAN. Then I do not see that there is any necessity to go into its financial condition. What is the next road, Mr. Wright?

Senator TILLMAN. It may be interesting to the gentlemen who are not familiar with those conditions down there; and if it is permissible, I will interpolate right here that three-C road of which we are speaking now, from Kingsville to Marion, was built mainly by bonds voted by the people of those counties in South Carolina, through which that road runs; and, of course, like all those ventures, got into deep water because they could not pay interest on the bonds, went into the hands of a receiver, was sold, and went into the hands of the Southern. Of course, the Southern has not developed the line along the lines originally intended, and did not care whether it went into the coal fields. I am not sure I am not paying on that road through my county, which never was built, and our people feel very bitterly about those taxes.

Senator POINDEXTER. Do you know, Senator Tillman——

Senator TILLMAN. We were fools; and these developers and exploiters came in there and blowed up a balloon and sent it up like the children do, and we were going to get rich and get cheap coal, and all that sort of thing, and our dreams have come to naught.

Senator POINDEXTER. Was the question of getting coal over this line at the time this line was built considered?

Senator TILLMAN. Of course it was.

Senator POINDEXTER. That was one of the objects?

Senator TILLMAN. Of course it was; to bring us cheap coal, you know.

Mr. THOM. The Southern has realized that dream by this very line you are talking about, to Asheville, bringing the coal right down to that very point, to Columbia, and to Charleston.

Senator TILLMAN. The Clinchfield crosses this same road, and the Clinchfield never would have been built at all if that other road had been built, but the interests that were in favor of building the Clinchfield—I do not know who the interests were, since I am not on the inside of your finances and do not know anything about the manipulations—but, I presume, the Clinchfield would never have been built at such an enormous expense if it could have gotten possession. You see, the terminus on the map at Marion. The Clinchfield runs a little to the east of it, and, of course, it would have been far easier for the Clinchfield people if they could have done so, to have gotten possession of this road, and built their road from the coal mines down to Marion, rather than to keep on to Spartanburg.

Mr. DOUGLAS. You mean possession of the Three-C, Senator?

Senator TILLMAN. Yes.

Mr. THOM. The Clinchfield was not projected for many years after that.

Mr. LYON. Do you know what rate you pay to your town of Trenton?

Senator TILLMAN. I have forgotten, but it is about 30 or 40 or 50 cents more a ton than they ought to pay.

Mr. WRIGHT. This letter from Mr. Lincoln Green, dated April 16, 1909, to Mr. J. J. Campion, traffic manager, C., C. & C. Railway, Johnson City, Tenn.:

We can not recognize the equity of your position that we ought to use as a measure for the division of rates the short-line mileage over a railroad that is not capable of handling traffic. The mere possession of the line from Marion to Blacksburg is a misfortune to its owner, and we are not transferring any share

of that misfortune to you when we ask you to recognize the actual route to be used instead of an imaginary one. I hope to be able to telegraph you in a day or two suggesting a date for conference on such matters as we have to discuss.

Mr. LYON. What road was he talking about then; do you know, Mr. Wright?

Mr. WRIGHT. The three-C, from Marion to Blacksburg, we have been discussing here—Marion to Kingsville, its southern terminus.

The CHAIRMAN. Where is Blacksburg?

Mr. WRIGHT. Between Spartanburg and Charlotte, at the State line.

Mr. LYON. Now proceed, Mr. Wright, if the committee is through. What is your next exhibit—10?

Mr. WRIGHT. Exhibit No. 9, also incomplete, Senator.

Mr. LYON. Yes; that is not there; was not completed when I made up those exhibits.

Mr. WRIGHT. The Tallulah Falls Railway, between Cornelia, Ga., and Franklin, N. C.

The CHAIRMAN. All right; proceed.

Mr. THOM. Did your honor rule on that?

The CHAIRMAN. Yes; that has been decided.

Mr. WRIGHT. I will discuss that in connection with the link from Bushnell to Fontana, called the Carolina & Tennessee Southern, and from Chilowee to Knoxville, one part of which is called the Tennessee & Carolina Southern and the other is the old Knoxville & Augusta Road.

Mr. LYON. I want to ask what coal field it goes into?

Mr. WRIGHT. Tennessee and Kentucky coal fields, north of Knoxville; also the Virginia coal field, via Cumberland Gap.

The Tallulah Falls Railway has 58 miles of track; bonds, $1,519,000; preferred stock, $123,400; common stock, $199,500; total capitalization, $1,841,900, in treasury of the Southern Railway, June 30, 1914.

Mr. LYON. What is its length?

Mr. WRIGHT. Fifty-eight miles, I have stated.

The Carolina & Tennessee Southern from Bushnell to Fontana is 13.9 miles; bonds, $693,000.

Senator POINDEXTER. What is the distance from Franklin to Bushnell?

Mr. WRIGHT. I understand, from the United States Geological Survey maps, that it is 15 miles.

Senator POINDEXTER. What is the distance from Fontana to Chilowee?

Mr. WRIGHT. Thirteen miles.

Senator POINDEXTER. When did the Southern acquire this Tallulah Falls road?

Mr. WRIGHT. If I may refer to the testimony, it is reported by President Harrison as being July, 1905.

Senator POINDEXTER. Go ahead.

Mr. WRIGHT. I would like to refer to a distance table one moment [referring to paper]. Exhibit B shows that the distance from Knoxville to Atlanta over the Southern's present line near Chattanooga—that loop on the map is incorrect—the distance is 224 miles.

By comparison with the projected line through the Little Tennessee River route, which is through Chilowee, Fontana, and Franklin,

comprising the new construction mentioned, the line is estimated to be 214 miles, a saving in distance to Atlanta of 10 miles; but to Athens the distance is 199 miles as compared with the Southern Railway distance through Atlanta and Lula of 329 miles. The saving to Augusta via Athens and the Georgia Railroad—the black line on the map—is 62 miles.

The CHAIRMAN. The distance, then, from Knoxville or from the mines to Brunswick would only be 10 miles, if you went by Chattanooga and Atlanta, by way of this new construction you are talking about, would it not?

Mr. WRIGHT. The new construction would reduce the mileage to Brunswick only 10 miles.

The CHAIRMAN. In other words, connecting Knoxville to a seacoast town, the difference would be only 10 miles?

Mr. WRIGHT. Plus the advantage of the low-grade line; it follows the Little Tennessee River.

The CHAIRMAN. What kind of country is that between Tallulah and Fontana; is that mountainous?

Mr. WRIGHT. That is a gorge of the Little Tennessee River, and a very large hydroelectric plant is being constructed there.

The CHAIRMAN. I do not care anything about the hydroelectric plant; we are talking about railroads now. What is to keep railroads from being constructed from Fontana to Tallulah?

Mr. WRIGHT. Nothing.

The CHAIRMAN. Is there a mountain there, or is it difficult to get by?

Mr. THOM. The very thing that keeps it from being constructed is that water power owned by other people, who will not let us go on the river level because of their high dam.

The CHAIRMAN. On the map it appears to be a mountain range.

Mr. THOM. There is a mountain range there.

Mr. WRIGHT. There is a valley through it. Is that an impracticable construction?

Mr. LYON. Mr. Wright, the Tennessee River there for 11 to 13 miles covers the gap?

Mr. WRIGHT. The Aluminum Co. of America is building a dam there, which will raise the height of the water in that valley very materially and would force the construction of that railroad at a higher level than the Southern undoubtedly planned and would add to their expense, but it should not stop that construction whenever they want to put it through. It is germane to this investigation that, through an occupancy of a defile there, it could keep another road out that might possibly want to construct another line through there.

The CHAIRMAN. I can see it would have that effect, but I do not see that it would have any effect in carrying the coal from Knoxville to the seacoast.

Mr. LYON. There is no reason that you know of, Mr. Wright, why a railroad can not be built there, is there?

Mr. WRIGHT. No; if that water is raised they will have to carry the road up higher.

The CHAIRMAN. Is there anything else?

Mr. WRIGHT. The operating results of the Tallulah Falls line, as reported by the Interstate Commerce Commission, from Franklin

to Cornelia is as follows: 1905, net income for the year was a deficit, $23,055, and the profit-and-loss debit balances of that year were $14,173. That had increased in the year ending June 30, 1914, to half a million dollars—debit balance, $516,510.02. Deficit for the year ending June 30, 1914, is $60,160.

I think, in justice to the Southern Railway, we should go further into that profit-and-loss debit. Undoubtedly there would be some construction money in that, rather than the mere loss in operating that dead branch.

Senator TILLMAN. Before the Southern Railway bought this was it paying anything?

Mr. WRIGHT. I can not answer.

Senator TILLMAN. Was it profitable to the stockholders who built it?

Mr. WRIGHT. I doubt it very much.

Mr. LYON. Now take up the next exhibit.

Mr. WRIGHT. The Southern Railway has extended quite a long distance over to the river. It is on the river at Franklin. What was there before the Southern bought it, could not have made any operating results.

Mr. LYON. Have you the operating results as to the other two forks of that line between Knoxville and Cornelia?

Mr. WRIGHT. I have not. We have an inquiry sent to President Harrison, dated November 23, signed by Senator Tillman.

Exhibit No. 10 is the Knoxville & Bristol Railway, which is covered by President Harrison's letter to Senator Bryan of October 10.

Mr. LYON. Where is it?

Mr. WRIGHT. From Corryton, Tenn., to Morristown, Tenn. It would be part of a line between the Carolinas, Cumberland Gap, and the Kentucky and Virginia coal fields.

Mr. THOM. May I ask a ruling on that line?

The CHAIRMAN. You are speaking now of the short railroad there from Corryton to Morristown?

Mr. WRIGHT. In red, connecting with the line in black and red.

The CHAIRMAN. That is already in Mr. Harrison's letter. You know nothing in addition to that, do you?

Mr. WRIGHT. I was going to mention the operating loss.

The CHAIRMAN. That is not contained in his report?

Mr. WRIGHT. Not in his report.

Mr. THOM. That does not end his inquiry, of course, because we have got to answer all that.

The CHAIRMAN. Have you anything to add to what Mr. Harrison said?

Mr. WRIGHT. I have not, to what he said in that letter.

Mr. THOM. My point of objection is also to that information as being pertinent to that inquiry.

The CHAIRMAN. That will come up when we consider his letter.

Mr. LYON. Mr. Wright, to get this matter straight, there is information in this letter from Fairfax Harrison, which is in typewriting, which is not in the printed document to which Senator Bryan refers?

The CHAIRMAN. But it is in the matter submitted on October 10 by Mr. Harrison?

Mr. LYON. Will that be printed as a part of the record?

The CHAIRMAN. Let us get through with one thing at a time. You can offer it later.

Mr. LYON. Very well; I will put it in later.

Mr. WRIGHT. That 5 per cent on the purchase price——

The CHAIRMAN. What are you talking about now?

Mr. WRIGHT. Knoxville & Bristol, but not quoting those figures.

Mr. THOM. That raises the question whether the testimony about that road is pertinent.

Mr. LYON. Has not that been ruled on?

Mr. THOM. I understand not. The chairman said he would decide in a moment.

Mr. WRIGHT. At 5 per cent on purchase price of $180,000, it cost the Southern Railway to carry its investment $9,930 per annum, or $94,500 for the entire period it has owned this property, hence the deficit to June 30, 1914, is $93,516.74.

The deficit for the year ending June 30, 1914, was, after paying operating expenses, $3,797.17; after paying interest charges, $12,797.17; and it will be seen that the gross receipts in 1914 were about the same as in 1907, while expenses were about $10,000 higher.

There has been no increase in the traffic since 1907. The gross revenue is given by President Harrison in his letter of October 10.

This railroad parallels the main line of the Southern Railway between Morristown, Tenn., and Knoxville, Tenn.

The CHAIRMAN. What railroad company owns that piece of track that was purchased by the Southern?

Mr. WRIGHT. It was called the Morristown & Cumberland Gap Railway, and was bought for the Southern from Harry M. Aiken, Knoxville, and Bird M. Robinson.

The CHAIRMAN. Did it only extend from Corryton to Morristown up until the time they bought it?

Mr. WRIGHT. That is all it ever had. In its independent days, when the line from Knoxville to Cumberland Gap was also independent, known as the Knoxville, Cumberland Gap & Louisville Railroad Co., it formed a competitive service.

The CHAIRMAN. When was it acquired by the Southern?

Mr. WRIGHT. November, 1902.

Exhibit 11 concerns the Knoxville, Cumberland Gap & Louisville Railway.

Mr. THOM. One minute; I want the ruling of the committee on that.

The CHAIRMAN. From what railroad company was that road from Knoxville to Cumberland Gap secured?

Mr. WRIGHT. Mr. Harrison testified that it was secured from August Belmont, a banker in New York, who bid it in at a foreclosure sale, and sold the line of the Cumberland Gap southward to Knoxville to the Southern Railway, and the line from Cumberland Gap into Middlesboro, including the tunnel through the mountain, to the Louisville & Nashville Railroad. Mr. Belmont—at that time the firm of August Belmont—was the fiscal agent of the Louisville & Nashville Railroad.

The CHAIRMAN. Mr. Wright, what criticism would there be against the Southern obtaining the road from Knoxville into the coal fields there?

Mr. WRIGHT. No criticism at all of their obtaining it.

The CHAIRMAN. Was it necessary for them to purchase it to get in there?

Mr. WRIGHT. The criticism is of their not using it for such; it is a short line to the Black Mountain and Appalachia district.

The CHAIRMAN. You say that piece is not used?

Mr. THOM. Not used from the Tennessee—do you mean that——

The CHAIRMAN. It is not used for carrying coal from Cumberland Gap to Knoxville?

Mr. WRIGHT. From the Middlesboro fields, but not from the Virginia fields. It is the short line from the Virginia field through Knoxville to the south.

The CHAIRMAN. What is the road, then, from Cumberland Gap to St. Charles?

Mr. WRIGHT. The Louisville & Nashville Railroad.

Senator POINDEXTER. What is the road from St. Charles, Appalachia, and Toms Creek?

Mr. WRIGHT. That is the Virginia & Southwestern Railway, belonging to the Southern Railway.

Mr. THOM. Of course, I want to know what I have to meet. Is it a matter of criticism that the Southern road owns a line in the Middlesboro coal district?

The CHAIRMAN. No; I do not think there is any criticism upon that.

Senator POINDEXTER. It seems to me, Mr. Thom, that about the only material inquiry would be whether the road makes a proper use of this line in hauling coal out of that field.

Mr. THOM. I would never say a word if that is the question, but the question is the financial organization and the wisdom of the purchase.

Mr. DOUGLAS. Senator Poindexter stated the real point.

The CHAIRMAN. I was under the impression we did not care to go into the finances of the road.

Mr. THOM. The question was asked how the Southern used it. I have not any objection to that.

Mr. LYON. The committee understands the financial condition is due to whether they use the road or not.

The CHAIRMAN. If they do not use the road, that is a matter of independent testimony.

Senator POINDEXTER. Do you propose to show the road is unprofitable because of the failure to use it as a coal-carrying road?

Mr. LYON. Yes, sir; that is the very reason it is unprofitable.

Mr. THOM. The first thing is to show that they have failed to so use it.

Mr. LYON. We would have to introduce these figures as we get them from the record.

The CHAIRMAN. You claim they do not use that road?

Mr. LYON. Yes.

The CHAIRMAN. Under that statement, go ahead.

Mr. THOM. They can not put on evidence of that. I think the best evidence would be to prove that the Southern does not use that road to haul coal.

The CHAIRMAN. That is probably true, but we are trying to get through with one witness at a time.

State what you know as to the use of that road in the hauling of coal?

Mr. LYON. Mr. Wright, taking the road of the Southern Railway from Cumberland Gap to Knoxville, what through rates have you in effect north from Cumberland Gap?

Mr. WRIGHT. None whatever.

Mr. LYON. Was there any exception in regard to the line called the Stony Fork branch?

Mr. WRIGHT. The Southern Railway publishes rates off the Stony Fork branch where you are pointing on that map west of Middlesboro, through to all points on the Southern Railway; a full line of rates on the Jellico basis, I understand, goes in there, where the L. & N. handles their cars to and from the mines.

Mr. LYON. Where are the coal fields located with reference to the Cumberland Gap at Middlesboro, and the Louisville & Nashville?

Mr. WRIGHT. North of the Louisville & Nashville in Bell County, all through this section north of Middlesboro and northeast in Harlan County.

Mr. LYON. Where are the coal fields on the line from Cumberland Gap up toward St. Charles and up toward Appalachia?

Mr. WRIGHT. From St. Charles to Norton and Toms Creek, there is coal all the way; the Stonega mines are in there, the Interstate Railroad and all its property, and the Black Mountain field.

Mr. LYON. Is it or is it not a fact that there are no through joint rates from any of this territory through Cumberland Gap from the St. Charles district and the Appalachian district to Atlanta and through to the southeast?

Mr. WRIGHT. It is.

Mr. LYON. Are there any rates in effect there?

Mr. WRIGHT. The L. & N. publishes a rate of 50 cents from points up to Norton, which must be added to the rate from Middlesboro.

Mr. LYON. Which is how much?

Mr. WRIGHT. It varies to different points.

Mr. LYON. To Atlanta?

Mr. WRIGHT. That is $1.45.

Mr. LYON. That makes the through rate $1.95?

Mr. WRIGHT. A prohibitive rate.

Mr. DOUGLAS. There is no through rate at all?

Mr. WRIGHT. There is an arrangement for doing business under the combination rate, but it is not available because of the size of the rate.

Mr. LYON. What is the rate from St. Charles via Appalachia and the V. & S. W. to Atlanta?

Mr. WRIGHT. $1.70.

Mr. LYON. And $1.95 the short route?

Mr. WRIGHT. $1.95.

Mr. LYON. Are there any rates from the Louisville & Nashville mines through Cumberland Gap?

Mr. WRIGHT. Not from Cumberland Gap. There are through Corbin and down the L. & N. main line.

Mr. LYON. Are there any rates through Cumberland Gap over this line to Cumberland and Knoxville?

Mr. WRIGHT. None whatever.

If the bonds now carried on the Southern Railway books at value of $476,760 cost that amount, the carrying charge at 5 per cent cost Southern Railway $23,838 annually, which amount should make the loss to the Southern Railway during 1913, $47,357.08.

Exhibit No. 13 is the Tennessee Northern Railway from La Follette Junction, Tenn., to Vasper.

Mr. LYON. That is a connection of the Southern Railway?

Mr. WRIGHT. Yes; that is reported by Mr. Harrison as purchased for $500,000.

Mr. THOM. Your honor's ruling on that, please.

The CHAIRMAN. Was that built originally by the Southern?

Mr. WRIGHT. No, sir; by Mr. H. M. La Follette, to connect his blast furnaces and coal mines with the Southern Railway at Vasper, Tenn. The blast furnace is not active, but there is probably a good deal of coal shipped off that branch.

The CHAIRMAN. We will let it in.

Mr. WRIGHT. This road was purchased in January, 1903. We have an inquiry to the Southern Railway covering that purchase also. The last important exhibits are the Northern Alabama and the Virginia & Southwestern Railway.

The CHAIRMAN. Let us take the Virginia & Southwestern first. We had a great deal of testimony on that road before by Mr. Dulaney. Have you anything in addition to what he testified to concerning that road?

Mr. WRIGHT. I made my own analysis of that.

The CHAIRMAN. You have read Mr. Dulaney's testimony?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Is there any other information besides what was contained in his testimony?

Mr. WRIGHT. I have some figures which he does not give.

The CHAIRMAN. Have you any additional figures to those submitted by Mr. Harrison?

Mr. WRIGHT. I think I have.

The CHAIRMAN. You are familiar with what he submitted?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. What road are you going to take up now?

Mr. WRIGHT. I am going to make reference to the charges 5 and 6, and then bring in the Virginia & Southwestern and the Northern Alabama. The Virginia & Southwestern record is incomplete to date. The Northern Alabama exhibit is No. 16.

The CHAIRMAN. Very well, go ahead. The one place I see where that would be material, Mr. Thom, would be under the fourth and ninth resolutions.

Mr. THOM. I do not raise any point about that not being within the scope; at least that is my impression.

The CHAIRMAN. It has already been discussed at length by Mr. Dulaney, and it seemed to me that he might refer to it under the resolutions.

Mr. THOM. I merely want to get myself straight on the record. I do not think so, from looking at the resolution, but I do not mean that as raising the question of objecting to going into it. I do not think it is within the scope of the resolution.

Mr. WRIGHT. Concerning some of the investments of the Southern Railway and other companies, touching charges 5 and 6: The re-

Mr. LYON. Mr. Harrison says they have not the money to build the proper road from Asheville down to handle this coal. The question is, Why haven't you got the money?

Mr. THOM. What has that to do with the question as to why we haven't got the money?

Mr. LYON. If the public has paid rates into the treasury of the Southern Railway Co., and then asks for transportation over it so that they can move their products at such prices as they are moved in other sections of the country, the question of whether or not the Southern Railway Co. has dissipated its funds and bought railroads from New Orleans to Chicago and to St. Louis is very material.

The CHAIRMAN. There is testimony in here that the Southern Railway has spent $68,000,000, in investments in other railroad stocks. What useful purpose will you serve by going further?

Mr. LYON. We are not going further except to show what return they got on the $68,000,000.

The CHAIRMAN. That has been done. He said they received less than 2 per cent upon this investment?

Mr. LYON. That is substantially what Mr. Wright said.

The CHAIRMAN. He has already testified about that. Now you propose to discuss whether it was wise to purchase the stock of the Mobile & Ohio, and these other railroads, and I do not consider that the committee would want to go into that without having opportunity to consult with the committee. I will do it if you desire me. I will be very glad to do it because I may be mistaken in my views.

Mr. LYON. I did not understand that Mr. Wright was going to discuss the wisdom of it.

Mr. THOM. If the fact is brought out, we must be permitted opportunity for explanation. My whole attitude is that the fact is not relevant.

Mr. LYON. We want the facts in.

Mr. THOM. They want the facts in and then they want to drop them. If they get the facts in we shall ask for an opportunity of going into the whole question of justification.

The CHAIRMAN. The committee has not refused to let you put in evidence.

Mr. THOM. I understand that and I understand what your honor is ruling on as a matter of law. If the facts go in about the financial situation of the Southern Railway, it is manifestly my duty to show the justification of that situation and that is the point I raised this morning, that this whole effort now involves us in the necessity of going into the utmost detail of justification in all these transactions about which facts are admitted into the evidence.

The CHAIRMAN. President Harrison testified that the reason the company had not been engaged in the business of carrying coal from the mines into territory in which the Southern runs to Charleston, for example, was that they had not been able to do so. It seems to me competent to state that the Southern has invested $68,000,000 of its fund in other railroad stocks, and that is what I understood him to say; but as to whether that investment should have been made as a business proposition or not, I do not believe the committee is authorized to inquire into or would desire to inquire into.

Mr. LYON. We do not want to present but a word on that subject.

The CHAIRMAN. That is what the witness was proceeding to do when I stopped him.

Mr. LYON. It was just one page.

The CHAIRMAN. I realize if he makes immaterial statements, that fact does not necessarily give the defendants a right to contradict him. At the same time, in a hearing of this importance, I would not want those statements made without giving them opportunity to go into the matter and that was the reason I stopped him.

Mr. THOM. Your honors understand that a very serious obligation rests upon me. I represent not only the railroad that is carrying the major part of the traffic of the South, but I am interested in the question of whether or not that can be maintained and made efficient in the service of the public. That is a very important obligation on me. One of the elements of its efficiency and one of the elements of its success will be its credit. If facts are introduced into this record for the purpose of attacking that, and for making it appear that it is not a sound business proposition, then manifestly my duty would be to justify the situation.

I do not believe that this committee will cut me off from that and I do not believe that they will consider it proper in a public spirit that that should be cut off, and that sources which bear none of the burdens of the failure to perform the duties of this great institution should be made the basis of a lack of confidence in it, on the part of the public, without giving an absolutely sufficient opportunity for the railroad to put the justification for all these things on this record. Therefore I made the point that none of that information should be admitted under this resolution. I realize that it will take months to do this, I realize that it is an immense undertaking, but I shall claim the opportunity, as a matter of public interest, in the attack that is now in progress upon the credit of the Southern Railway, to see that it shall have a full opportunity to justify its financial organization and its position before the people of the country. Is not that my manifest duty? Is not that an opportunity I ought to have? Therefore when I come to do that in all of its details and in all its volume I do not want to be met by saying that I let all this go on without saying a word about my expectation of this thing and without raising the question. Now, I shall ask at the hands of this committee, as a solemn duty I owe to the large interest I represent, the opportunity of fully answering every innuendo that is allowed to go into this record.

The CHAIRMAN. You have just stated that the report of the voting trustees of the Southern Railway shows that it has invested in the securities of other companies over $68,000,000. Do you include within the securities of other companies the investments in the railroads which the Southern Railway Co. has bought, or the stock which it has bought, or the bonds of those railroads?

Mr. WRIGHT. I do.

The CHAIRMAN. What portion of that $68,000,000, if any, is invested in railroads or in securities of other companies, outside of the securities of the companies in which the Southern Railway is interested, either as owners of stock or lessee?

Mr. WRIGHT. I do not know; that would be a matter of analysis separate from this.

The CHAIRMAN. Is any considerable part of this $68,000,000 invested in roads other than the roads owned and controlled by the Southern Railway Co., according to that report you have quoted?

Mr. WRIGHT. Let me see if I understand the question.

The CHAIRMAN. You say that page 5 of the voting trustees shows that the Southern owns securities of other companies to the amount of $68,000,000. Are there any companies outside of railroad companies? Answer that first—any stock or securities outside of railroad securities.

Mr. WRIGHT. The only one that I see is the holding company of the Queen & Crescent Co. It is called the Southwestern Improvement Co.

The CHAIRMAN. That is a railroad company?

Mr. WRIGHT. Yes, sir. There might be some very small insignificant items, if any, of that character.

The CHAIRMAN. Are there any railroad companies in which they are interested? I mean as owner of stock or as lessee.

Mr. WRIGHT. Their investment is in stocks and in bonds.

The CHAIRMAN. Of what companies?

Mr. WRIGHT. Why, there are hundreds of them.

The CHAIRMAN. I did not mean for you to name the companies, but are they such companies as the Atlantic & Danville and these other railroads you have been describing in which they claim control?

Mr. WRIGHT. The conditions vary. They own nothing in the Atlantic & Danville. The bulk of the others they do own.

The CHAIRMAN. Let me ask you if they own any stock or securities of companies in which they are not interested, either as owner of the stock or as lessees?

Mr. WRIGHT. Not to my knowledge.

Mr. LYON. I understand that when they buy the stock that is what they buy it for. I do not understand that the Southern has any investment as an outsider would invest in stock.

The CHAIRMAN. I mean these investments in railroads which they control. Have they got it for the control of the railroads?

Mr. LYON. Yes, sir. They own the Mobile & Ohio, for instance, and the Cincinnati & New Orleans, and the Texas Pacific, as I understand.

The CHAIRMAN. You say the Southern Railway owns those roads?

Mr. LYON. Yes, sir; it owns the stock.

The CHAIRMAN. So that there is no claim they have invested their money in other properties outside of railroads' properties in which they are interested?

Mr. LYON. No, sir; I do not know what they have; I am not concerned in that at all.

The CHAIRMAN. Do you make the claim that they have?

Mr. WRIGHT. I do not.

Senator POINDEXTER. Let me understand a little more definitely. Outside of those properties in which they are interested——

The CHAIRMAN. I say, as owners or lessees.

Senator JOHNSON. Don't you mean, outside of properties which they operate?

The CHAIRMAN. Yes.

NRIGHT. That are allied to their system? I know of none.
LYON. They own railroads just like the Pennsylvania own ailroads. They own the Norfolk & Western.
tor POINDEXTER. Well, it is supposed that they control it?
LYON. I assume so.
tor POINDEXTER. There is no contention made here that they vested money in railroads as a mere investment and without to the control of the road.
LYON. No, sir; not the slightest pretext. They have a pur- ienever they buy stock, as I understand it, and that purpose is rol that railroad.
THOM. My point is that if the matter of those interests is gone d the facts stated it will require, in justice to the interests I nt, for the full justification for the purchase to be gone into side; and I raise the question that I do not believe that is the scope of your resolution under which you are acting.
CHAIRMAN. Perhaps we can save some time if the committee scuss that for a few minutes.
LYON. I do not know that I care to say anything further than n opening, but if the committee should come to the conclusion e investment of a railroad like the Southern Railway in lines compete with it, and in railroads in which it desires to con- d the result of those investments—as must be apparent to the tee from the discussion this morning of these dead ends—is a we say that if that proposition can not be gone into to de- the question of rates and whether a section is injured by a l engaging in that kind of business, there will be nothing for imittee to decide.
JOHNSON. We have gone into that.
LYON. That has already been gone into. I think every fact is Mr. Wright merely said there was $68,000,000 upon which id earned 2 per cent, and Mr. Harrison, I believe, made the atement.
CHAIRMAN. Is it said that that is practically their property?
LYON. Yes, sir; the $68,000,000 is invested in it. Sometimes vn 51 per cent, other times they may own less, and sometimes cent. It is simply a question of fact, and you can get at it ie records of the Interstate Commerce Commission by turning reports.
tor JOHNSON. I was not here when President Harrison was the committee, but I understand he testified that the Southern y had not completed some links which might have made the rn Railway serviceable in the transportation of coal from the elds, because the railroad did not have the money to com-
WRIGHT. Yes, sir.
tor JOHNSON. You propose to show that they did have money? your proposition?
LYON. Yes, sir.
tor JOHNSON. Which it invested in other properties?
LYON. Yes, sir. Of course, I suppose that Mr. Thom will ie position that it is well to own a road like the Mobile & Ohio me reason or other which may be of interest to the Southern ay, but that does not help the situation of the coal operator.

Senator JOHNSON. That takes us into that collateral issue, whether if they had the money it would be the part of wisdom to invest in this other road, and then we will enter into very many collateral issues.

Mr. LYON. Yes, sir. And you can not take up any of these questions and simply dismiss it because you are going to be led into a great many collateral issues. All these big questions, every one of these big cases where they have been investigated has turned out just the same way, that the main carrier makes money on its own lines, and puts it into other lines, buying sometimes from directors, sometimes from favored people, but we want to put into the record that they have bought these things which their own reports show do not pay.

Mr. THOM. If your honor please, of course there will be a vast number of things to be inquired into. For example, suppose we go into the purchase of the stocks and bonds of the Mobile & Ohio. That money, I presume, is included in this $68,000,000—I have not seen the analysis of it. But, granting that, then the committee may find that the way that part of the $68,000,000 was raised was by pledging the stocks and bonds of the Mibile & Ohio which were bought and which would not have been available for building these short lines if it had not been put in there. So it may be found about these other railroads. You will have to consider this question.

When Mr. Spencer before his death was confronted with a notice from the Pennsylvania Railroad that they must quit the tenancy of the old station down here at Sixth Street in Washington, without one word of expression of the reason why that tenancy must terminate, I recollect his taking me up to the map and showing how the Southern Railway had a belt across the southern tier of States—Mississippi, Georgia, Alabama, South Carolina, and running into Florida: Then he said:

> This notice may mean that we are now to have a difficulty about getting traffic from that section of country out to the northeast. I want to call your attention to the way that I have provided against that. I have got here an interest in that road running across the Ohio River at Cincinnati—the C., N. O. & T. P. I have bought an interest in a road running across the Ohio River at Cairo up to St. Louis—the Mobile & Ohio. And now no road can shut off this system on the South from access to the markets of the world, because when they shut up Washington I can turn the traffic from these Southern States across in the other way.

Now, we shall have to go into that. We shall have to go into these vast questions of railroad policy which will involve great conceptions, involve large plans. We shall have to go into that justification syllable by syllable and word by word in order that justice shall be given to this great public institution of the South. Therefore it is that I want you gentlemen to consider whether all that must be done in order for you to perform your duty under this Senate resolution. I do not believe it is within the scope of the resolution, and I believe it is going to be the work of months, perhaps of years to do this thing properly. But whatever it takes in the way of effort, in the way of time, if the situation is gone into I think you will realize that it is nothing but justice to the great public that is served by the Southern Railway that a chance for its justification shall be fully given.

Mr. LYON. Can we not just waive this and go on to the next subject, and let Mr. Wright skip that portion of it? It will suit me.

two hours for one and a half or three-quarters of an hour for the other on the direct would be all we would need.

The CHAIRMAN. We will take a recess, then, until 11 o'clock to-morrow.

(Thereupon, at 5 o'clock p. m., the committee adjourned to meet to-morrow, Friday, December 11, 1914, at 11 o'clock a. m.)

FRIDAY, DECEMBER 11, 1914.

SUBCOMMITTEE ON NAVAL AFFAIRS,
UNITED STATES SENATE,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 11 o'clock a. m.

Present: Senators Nathan P. Bryan (chairman), Charles F. Johnson, William Alden Smith, and Miles Poindexter.

The CHAIRMAN. You may proceed, Mr. Lyon.

Mr. LYON. Mr. Wright, an allegation was made in the testimony heretofore given, that owing to a decision rendered by the Interstate Commerce Commisison, known as the Andy's Ridge case, that rates from the southwest Virginia coal fields to Atlanta and that territory had been increased 10 cents, or at least the differential as between that territory and the Coal Creek territory had been increased 10 cents. I wish you would state if you have made any investigation as to the shipment of coal from the Tennessee field and the southwest Virginia field, prior to and subsequent to that decision, and show its effect.

Mr. WRIGHT. Prior to the advance, in the year 1909, the Louisville & Nashville Railroad handled from mines in Tennessee and Kentucky to points in Georgia and Florida, 1,045,016 tons of coal, while for the year 1913 it handled 1,533,960 tons, an increase of 488,944 tons, or 46.79 per cent.

Now, as to the effect upon the Southern Railway business. Prior to the advance, in the year 1909, the Southern Railway handled from mines in Tennessee, Kentucky, and Virginia to points in Georgia and Florida 422,827 tons of coal, while for the year 1913 it handled 465,154 tons, an increase of 42,327 tons, or 10 per cent in five years. Included in the Southern tonnage was the output of the mines in Virginia on the Virginia & Southwestern Railway, owned by the Southern. This, in 1909, was 190,143 tons; in 1913, 186,398 tons, a decrease of 3,745 tons, or 2 per cent. The results show that in securing this advance in rates the Southern withdrew itself and this important Virginia producing territory from the Georgia and Florida market, which it left to its competitor the Louisville & Nashville. The question is, how was the Southern compensated for this loss in revenue and what recourse or relief for the loss of this business have the Virginia mines depending entirely on the Southern Railway for an outlet to these markets?

Mr. LYON. Will you state what connection the Southern Railway had with the southwestern Virginia field, by railways, and its own lines, prior to its acquisition of the Virginia & Southwestern Railway?

Mr. WRIGHT. It had its line from Knoxville to Cumberland Gap, 65 miles.

Mr. LYON. That was prior to the acquisition of the Virginia & Southwestern?

Mr. WRIGHT. Yes.

Mr. LYON. At Cumberland Gap with what road did it connect?

Mr. WRIGHT. The Louisville & Nashville Railroad.

Mr. LYON. That extended up into the Appalachia field?

Mr. WRIGHT. Yes; and west to the Kentucky field.

Mr. LYON. That went from Cumberland Gap to Knoxville?

Mr. WRIGHT. From Cumberland Gap to Knoxville, and in connection with the Morristown & Cumberland Gap Railroad, now the Knoxville & Bristol Railway, it had a line from Corryton to Morristown.

Mr. LYON. It also had a line from Knoxville to Morristown?

Mr. WRIGHT. It did; both lines.

Mr. LYON. And through that way it could reach the Carolina territory?

Mr. WRIGHT. Yes.

Mr. LYON. And through this gateway [indicating on map] the Southern rails could reach into Atlanta territory?

Mr. WRIGHT. It could.

Mr. LYON. What connection did it have with the Virginia & Southwestern?

Mr. WRIGHT. The Virginia & Southwestern tapped the Southern Railway at Bluff City, 11 miles south of Bristol, a point not shown on this map.

Mr. LYON. It connected with the Southern Railway at Bluff City?

Mr. WRIGHT. It did.

The CHAIRMAN. Let Mr. Wright tell where the Virginia & Southwestern originates and the points to which it runs, and where it ended at the time it was taken over by the Southern Railway.

Mr. WRIGHT. The Virginia & Southwestern Railway, at the time of its purchase by the Southern Railway, or of the purchase of the stock of the Virginia & Southwestern Railway in 1906, extended from Appalachia, Va., to Mountain City, Tenn.—about 130 miles.

The CHAIRMAN. Was that all at the time of its purchase?

Mr. WRIGHT. It had a trackage right from Appalachia, Va., to the operations of the Virginia Iron, Coal & Coke Co., at Toms Creek, Va., over the rails of the Louisville & Nashville from Appalachia to Norton, Va., and about 12 miles over the Norfolk & Western Railway from Norton to Toms Creek. These changes have taken place and the line was extended, under the name of the Black Mountain Railroad, since the purchase, about 23 miles, from Appalachia to St. Charles, in a westerly direction. It has been extended from Moccasin Gap to Persia, Tenn., about 40 miles.

Mr. LYON. Near Bulls Gap?

Mr. WRIGHT. Where it got a trackage right over the Southern Railway from Persia to Bulls Gap, tapping the main line of the Southern Railway in that territory.

Mr. LYON. What is the main line of the Southern Railway in that territory?

Mr. WRIGHT. From Bristol to Chattanooga.

Mr. LYON. Going through Knoxville?

Mr. WRIGHT. Bulls Gap, Morristown, and Knoxville. Those are the important changes at least.

The CHAIRMAN. What about the road from Speers Ferry to Bulls Gap? When was that put in?

Mr. WRIGHT. That was completed in 1909 or 1910.

Mr. LYON. That was not there when the Southern Railway obtained the Virginia & Southwestern?

Mr. WRIGHT. I stated that change took place after the purchase.

Mr. THOM. The point of departure of the new line from the old line was not Speers Ferry, but Moccasin Gap.

The CHAIRMAN. How far is Moccasin Gap from Spears Ferry?

Mr. WRIGHT. About 8½ miles. Prior to its purchase by the Southern Railway the latter had a line in connection with the Louisville & Nashville from both the Morrison and Knoxville gateways to the Virginia coal field, through Cumberland Gap, and they still have this route which is shorter than the Virginia & Southwestern route to all destinations except western Carolina.

Mr. LYON. On that route they had to use the Louisville & Nashville down to Cumberland Gap?

Mr. WRIGHT. The Louisville & Nashville charged 50 cents to Cumberland Gap on coal or coke going to points south, from all mines up to Norton, its eastern terminus.

Mr. LYON. Do you know what the rates of division were on the Virginia & Southwestern in connection with the Southern Railway before its acquisition by the Southern Railway.

Mr. WRIGHT. I know of some as low as 40 cents a ton from the mines to Bluff City; probably 50 cents was a fair average on through business. To short-haul local points on the Southern, south of Bluff City, the rates were relatively higher and probably the Virginia & Southwestern got a better division than 50 cents.

Mr. LYON. That information, I assume, you gather from general information and not specific information as to those divisions, as they are not in your possession?

Mr. WRIGHT. I have not the actual divisions.

Mr. LYON. That is the private information of the carriers and not subject to verification except by the carrier?

Mr. WRIGHT. That is true.

Mr. LYON. Have you any information as to what divisions are allotted the Virginia & Southwestern, since its acquisition by the Southern Railway? Of course, the committee understands that road is operated separately, the stock being owned by the Southern Railway.

Mr. WRIGHT. The Virginia & Southwestern is receiving 65 cents a ton on the bulk of its business handled in connection with the Southern Railway to-day. The committee has a letter, among other correspondence, between the Virginia & Southwestern officials and the Southern, which established the following divisions sometime after the purchase of the road: The Virginia & Southwestern was allowed 72½ cents a ton on business to North Carolina and Georgia points east of Atlanta.

Mr. LYON. Where was that coal delivered to the Southern Railway?

Mr. WRIGHT. At Bulls Gap. I would like to finish and say that the proportion on business which the Southern afterwards delivered

to the Atlantic Coast Line at Carolina junction points yielded the Southern less revenue, and they allowed the Virginia & Southwestern 60 cents, and a third allowance of 50 cents was made on business distant to the Ohio River gateways to St. Louis, which was a long haul via the Southern, necessarily the thin rate producing a thinner allowance to the Virginia & Southwestern.

Senator JOHNSON. How do you get that information as to this allowance of the division of rates?

Mr. WRIGHT. From correspondence in the possession of the committee.

Mr. THOM. How do you get that?

Mr. WRIGHT. That came to us from the Department of Justice.

Mr. THOM. How did the Department of Justice get it?

Mr. LYON. Would it not be well for the department to answer that?

Mr. THOM. The witness knows.

Mr. WRIGHT. Shall I answer?

The CHAIRMAN. Yes.

Mr. WRIGHT. They took it from the Southern Railway Co.'s files, and I understand Mr. Thom was present. That is the report of the Assistant Attorney General, Mr. Lewis.

Mr. LYON. Do you know whether traffic generally moved, including coal, over the Louisville & Nashville through Cumberland Gap and Knoxville, prior to the acquisition of the Virginia & Southwestern by the Southern Railway? Have you made any examination of tariffs to show whether rates were in effect?

Mr. WRIGHT. There were through rates in effect for many years over the Louisville & Nashville and the Knoxville, Cumberland Gap, & Louisville road during the entire life of the latter line as an independent road. After the Southern purchased the Knoxville, Cumberland Gap & Louisville road those rates were withdrawn gradually, but my recollection is that the Southern kept them in effect for some years after 1896. A shipping arrangement has always existed since the withdrawal of those through rates by the Louisville & Nashville Railway publishing a proportional rate to Cumberland Gap on business destined beyond, 50 cents a ton, which rate could be used in combination with the Southern's published rates from that point.

Mr. LYON. Is it your information then that at present no coal moves over the line from Cumberland Gap to Knoxville, except the coal that originates on what is known as the Stony Fork Branch of the Louisville & Nashville Railroad lying just west of Cumberland Gap?

Mr. WRIGHT. There is the Bennetts Fork, the Stony Fork and the Middlesboro Mineral Railroad in there within 15 miles of Cumberland Gap, which produces considerable coal moving through Cumberland Gap and over the Southern Railway under traffic arrangement. Outside of that 15-mile area there is no other arrangement for movement of coal from the west.

Mr. LYON. Roughly speaking, that is included in this little dark area in here indicated on the map?

Mr. WRIGHT. It is.

Mr. LYON. And the coal mines, I understand, on the Louisville & Nashville, extend all over this territory included within these red lines as shown on this map?

Mr. WRIGHT. They do. They run up to Corbin on the west and to Benham on the east.

Mr. LYON. The Appalachian group is contained, is it not, within this blue line extending from St. Charles westerly to St. Paul?

Mr. WRIGHT. St. Charles to Toms Creek.

Mr. LYON. And the Louisville & Nashville extends over the center of that group to Norton and has the line down to Cumberland Gap?

Mr. WRIGHT. It has.

Mr. LYON. Does any coal move over that line to the southeast through the Cumberland Gap gateway?

Mr. WRIGHT. None moves.

Mr. LYON. The rate you have stated is 50 cents from Louisville and Nashville points to Cumberland Gap, which has to be added to the rate from Cumberland Gap to the south?

Mr. WRIGHT. The rate from Cumberland Gap is the rate from the Middlesboro field, so that the Black Mountain or Appalachia people in competing against the other coal would have to absorb the difference of 50 cents in the freight cost down to the other field.

Senator SMITH. Is that an arbitrary charge?

Mr. WRIGHT. It would be an arbitrary. You are moving one coal through another coal field.

Mr. LYON. It is a fact, is it not, that the Virginia & Southwestern has from Black Mountain, an established rate of $1.70, using Atlanta as the rate point?

Mr. WRIGHT. They have.

Mr. LYON. Over this line going through Moccasin Gap and Bulls Gap to Knoxville and Atlanta, against the combination rate in this same territory of 50 cents to Cumberland Gap and $1.45 from Cumberland Gap, making a rate of $1.95. Is that the correct rate?

Mr. WRIGHT. That is the correct rate.

Mr. LYON. And that accounts for the fact that no coal moves via this route, the rate being $1.95?

Senator SMITH. Is the arbitrary rate prohibitive?

Mr. LYON. Coal would not move on a $1.95 rate when there is a $1.70 rate available.

Senator SMITH. Do you consider that arbitrary of 50 cents prohibitive?

Mr. WRIGHT. Yes, sir.

Mr. LYON. My statement was that it would not move on the $1.95 rate. It would be foolish for the Southern Railway to move coal via the Cumberland Gap when it has its own rate via the Virginia & Southwestern. If they have to do it, they would haul it three times as far over their own rails and they will not haul it over the Louisville & Nashville.

Mr. THOM. I agree with you. I thought you would like to say that.

Mr. LYON. I was speaking from a railroad point of view.

Senator SMITH. Who keeps the arbitrary charge of 50 cents?

Mr. LYON. The Louisville & Nashville Railroad. I do not suppose a pound of coal ever moved on it.

Senator SMITH. It was not intended that it should?

Mr. LYON. No, sir.

Mr. THOM. We haul coal from our own fields over our own line.

Mr. LYON. That 50-cent rate was in effect many years ago, and it is possible some little coal moved before the Virginia & Southwestern became a factor, but that is away back 10 or 15 years ago.

Mr. THOM. In other words, gentlemen, we would receive that coal if it came over the Louisville & Nashville at Middlesboro and Cumberland Gap. We apply on that coal the same rate that we do on coal originating at Cumberland Gap. It is the question of the Louisville & Nashville's charge down to that point.

Senator SMITH. Was that charge established by an agreement between these carriers?

Mr. RIXEY. No, sir. As I understand it, the 50-cent rate is the rate published by the Louisville & Nashville line. They make the rate to Cumberland Gap, which is the local or proportional rate, and they use that in making the through rate. The Southern Railway has nothing to do with establishing that rate. We could only establish the rate from Middlesboro or from Cumberland Gap.

Senator SMITH. It was established before the Southern Railway got up in there.

Mr. RIXEY. I do not know that exact date. I think that rate was in effect before the Southern acquired the Virginia & Southwestern.

Senator SMITH. Is that right, Mr. Wright?

Mr. WRIGHT. Yes, sir.

Mr. LYON. I think that is not what we call the local rate. I think the local rate is 75 cents, but this is the proportional rate applicable on business beyond Cumberland Gap.

Mr. RIXEY. And separately established by the Louisville & Nashville.

Mr. LYON. If you had a ton of coal you wanted to ship from any point here [indicating on map] to Cumberland Gap, you would pay one rate, but if you wanted that coal to go through to Atlanta you would pay another rate. That is termed the proportional rate.

Mr. THOM. Is any point made by the witness about that 50-cent rate, so far as the Southern Railway is concerned, from the Appalachian or Black Mountain field to Cumberland Gap?

Mr. LYON. In what respect?

Mr. THOM. The witness made a side remark which I want to go on the record.

Mr. LYON. I do not know what he refers to.

Senator SMITH. If it is intended to burden the traffic unduly, it would, of course, be impossible for us to know it. That is all I had in mind when I asked whether it was an arbitrary charge.

Mr. LYON. They do not want the coal to move that way, which, I imagine, would be admitted.

Senator SMITH. And it does not move that way because of that rate?

Mr. LYON. It does not, because of that rate.

Mr. THOM. We would like to know whether the witness is making any charge against the Southern Railway because of that rate?

Mr. WRIGHT. The conditions on the completion of the Louisville & Nashville line from the beginning of the movement of coal, are as follows: They put in through rates to the southeast, especially Georgia territory, through Cumberland Gap in connection with the Knoxville, Cumberland Gap & Louisville to Knoxville, which was then an independent line. Connecting with another independent line

from Knoxville to Atlanta, through service and through rates existed, and some business moved. The field was in the early stage of development. That arrangement was canceled after the Knoxville, Cumberland Gap, and Louisville property failed and was sold, and was purchased by August Belmont & Co., the fiscal agents of the Louisville & Nashville Railroad, and was dismembered, the line from Knoxville and Cumberland Gap being turned over to the Southern Railway, the line from Cumberland Gap to Middlesboro, including the Cumberland Mountain tunnel, being turned over to the Louisville & Nashville. The through rates on coal through Cumberland Gap thereafter ceased and the Louisville and Nashville followed them with a rate of 50 cents from all mining points from Norton to Pennington, inclusive, to Cumberland Gap, on coal and coke destined beyond via the Southern Railway, and that 50 cent arbitrary has been in effect for many years, probably since 1900 or 1902. The Louisville & Nashville encouraged development in that field up to that time and then decided that it was more profitable to haul coal over the line between Cumberland Gap and Corbin, and between Cumberland Gap and Benham, and assisted development in those sections.

Mr. LYON. What rate do they charge to Atlanta from those sections?

Mr. WRIGHT. They charge $1.45 and $1.55. $1.45 from the territory up to Harlan.

Mr. LYON. From Harlan to Benham it is $1.55 to Atlanta?

Mr. WRIGHT. Yes; 10 cents higher.

Mr. LYON. And the coal moves via the Corbin route?

Mr. WRIGHT. Moves via the Louisville & Nashville all the way.

Mr. LYON. And the $1.45 from the Middlesboro territory up to Pineville applies through Pineville to Corbin and to Baxter and to Te Jay on the east.

Mr. WRIGHT. Then from Corbin down to Jellico on the Louisville & Nashville Railway?

Mr. LYON. The same basis; $1.45.

Mr. THOM. Now, have you any objection to answering my question?

Mr. WRIGHT. That the Southern Railway was directly responsible for the Louisville & Nashville putting in the 50-cent arbitrary?

Mr. LYON. From where?

Mr. WRIGHT. From mines on the Norton line to Cumberland Gap. I have no knowledge. That rate has been in there since about 1902. It may be the L. & N. policy. It is prohibitive.

Senator SMITH. Are the laws of Virginia silent on that question of rates?

Mr. WRIGHT. That is interstate movement.

Senator SMITH. I understand; but the arbitrary rate is wholly within the State of Virginia?

Mr. WRIGHT. No; it is in Tennessee and Virginia.

Senator SMITH. Then I misunderstood the conditions on the map.

Mr. THOM. What I wanted to get at is, the witness here said to counsel representing the Southern Railway Co. that he made no charge aginst the Southern about that 50-cent arbitrary. I want to get that into the record.

Mr. WRIGHT. I make that statment for the record. I make no charge that the Southern Railway Co. instigated that 50-cent rate on the Louisville & Nashville Railroad.

Mr. LYON. I think it would be well if counsel would answer those questions as to charges against the Southern Railway, etc., if you will permit me.

Mr. THOM. I want to know the witness' attitude.

Mr. LYON. That is unimportant.

Mr. THOM. I do not think it is unimportant.

Mr. LYON. We do not make any charges aginst anybody, but we want the facts.

Mr. WRIGHT. The point is there is a prohibitive fraction of a rate left there in place of a workable through rate which existed when the properties were independent.

Mr. LYON. That is the fact?

Mr. WRIGHT. That is the fact.

Senator POINDEXTER. I did not understand about these rates. Do I understand that coal moves from Benham, we will say, down to Orby, and then up to Corbin and from Corbin down to Jellico and Knoxville?

Mr. WRIGHT. And Atlanta through Knoxville.

Senator POINDEXTER. At what rate from Benham?

Mr. WRIGHT. $1.55.

Senator POINDEXTER. What is the rate from the Appalachian fields?

Mr. WRIGHT. $1.70.

Mr. LYON. Via what route?

Mr. WRIGHT. It would take the V. & S. W. route from Black Mountain and St. Charles.

Senator POINDEXTER. You are speaking now of the Virginia & Southwestern?

Mr. WRIGHT. Yes, sir.

Senator POINDEXTER. I meant the rate by the other route.

Mr. WRIGHT. $1.95 by the Louisville & Nashville.

Senator POINDEXTER. What is the comparative distance from Benham up to Orby and then to Corbin and down to Knoxville, compared with the distance the other way?

Mr. WRIGHT. From St. Charles to Knoxville it is 110 miles via the Louisville & Nashville and Southern.

Senator POINDEXTER. What is the distance the other way, from Benham?

Mr. WRIGHT. Probably 200 miles. I would like to make a calculation on that.

Mr. RIXEY. The rates from Harlan, Benham, Corbin, and in that territory are Louisville & Nashville propositions.

Mr. BULLITT. I would suggest that the brief which Mr. Lyon filed before the Interstate Commerce Commission he has in his hands now, and he gives the answers to all the questions you are asking about those rates.

Mr. LYON. That is a fact and my brief may give a great deal of other information. I understand the Senator wants the fact. The distance from Benham through Knoxville to Atlanta is substantially the same as it is from St. Charles via this route through Cumberland Gap, and the distance from Benham to Orby, via Corbin to Atlanta, is longer.

Mr. WRIGHT. By how much?

Mr. LYON. I would not say for sure. The map is made to scale and it can be seen at a glance. The converging point is Knoxville, Tenn., and this corporation now has a matter before the Interstate Commerce Commission trying to open up this route for the shipment of coal.

Mr. RIXEY. Do you object to the record showing that the Louisville & Nashville has its own line from Benham, Harland, Tee Jay, and Corbin into Atlanta?

Mr. LYON. The map shows that.

Mr. RIXEY. They have their own lines and they make those rates? The Southern Railway is not responsible for those rates?

Mr. LYON. They refused to make rates.

Mr. RIXEY. The Southern Railway has nothing to do with those rates because the Louisville & Nashville has its own line into Atlanta.

Mr. LYON. Yes. In other words, the Louisville & Nashville makes a $1.45 rate into Atlanta and the Louisville & Nashville will not sit down and agree upon the rates; the rails are there and the business moves that way, therefore it is $1.95 and they make the rate separately. That is a question of argument, more than anything else.

Mr. WRIGHT. The Louisville & Nashville Railroad Co., as has just been shown, has taken the business in Georgia and Florida bodily, as shown by the exhibits of the carriers in the case now pending before the Interstate Commerce Commission. The Louisville & Nashville Railroad makes a rate to Atlanta of $1.35. The $1.45 rate is carried north to Corbin, south to Orby, and northeast to Tee Jay, The rate between Tee Jay and Benham is 10 cents higher, making a differential of 20 cents for that business at Coal Creek. They carry the arbitrary of 50 cents from the competing coal group across the mountain in Virginia to Cumberland Gap and make no other rate. They refuse a rate via Corbin over their own line from that territory and offer, as an outlet, the Southern Railway at Cumberland Gap with the first charge for the Louisville & Nashville Railroad of 50 cents a ton, which is prohibitive, the rate from Cumberland Gap being $1.45.

Senator POINDEXTER. Cumberland Gap to Atlanta?

Mr. WRIGHT. To Atlanta. Those mines are in an air line through the coal vein and are from 8 to 10 miles apart.

Mr. LYON. That is, you mean the mines on the Benham division and the mines of the Black Mountain on the Cumberland Valley division of the Louisville & Nashville?

Mr. WRIGHT. That is true. On the same carrier, the same coal geologically and geographically, one is mining the seam in the valley of the Clover Fork of the Cumberland River and the other in Powells Fork of the Cumberland River.

Mr. THOM. You are talking now about two lines, of the Louisville & Nashville, are you not?

Mr. WRIGHT. Entirely. That is the situation up there; they are separate and apart from the Southern Railway thus far.

Senator SMITH. The proportion of that through rate from Benham via Corbin to Jellico is 20 cents?

Mr. WRIGHT. Twenty cents above the rate, from Coal Creek. It is $1.35, and then they carry 20 cents higher than Coal Creek.

Senator SMITH. How far north?

Mr. WRIGHT. Yes; cost. What their cost is on the Harlan lin that is, from Ages and Benham to Corbin—we do not know. It through the same type of mountainous country that there is acr the range in Virginia.

Mr. LYON. Mr. Wright, does the Virginia & Southwestern conn with the Carolina, Clinchfield & Ohio Railway?

Mr. WRIGHT. At Speers Ferry; yes.

Mr. LYON. And the Carolina, Clinchfield & Ohio road extends fr Speers Ferry to what point?

Mr. WRIGHT. Spartanburg, S. C.—197 miles south.

Mr. LYON. Do you know anything of the building of the Caroli Clinchfield & Ohio; whether it is a well-built and economical line transportation for the movement of freight?

Mr. WRIGHT. I have been over it many times. It is a very w built line.

Mr. LYON. Do you know its carrying capacity, per ton or per lo motive, as compared with other carriers in this territory?

Mr. WRIGHT. I can not testify on that point. We will present exhibit showing that relatively.

Mr. LYON. Is it your understanding that it is a road of m economical grade than the Southern Railway via the Virginia Southwestern from the same territory?

Mr. WRIGHT. You say economic grades?

Mr. LYON. I mean by that, economy of operation over the grad

Mr. WRIGHT. I believe the road cost in handling freight is lov than on the Southern Railway. Undoubtedly the fixed charge, overhead charge, is higher than on the Southern Railway. I und stand President Harrison's testimony to state that the South Railway has just as good a line for the handling of coal. I can g the page in the record.

Mr. THOM. The record states "We will present an exhibit this subject." Who does he mean by "we"? Will you say, Wright?

Mr. WRIGHT. That exhibit will be placed before the committ myself as its representative.

Mr. THOM. Representative of what?

Mr. WRIGHT. Of the committee.

Mr. LYON. It is not placed by him. I will say that couns Mr. B. L. Dulaney will do it. This is my witness and we will that testimony before the witness if we deem proper.

Mr. THOM. But I understand the witness says he is acting committee. How can Mr. Dulaney's counsel control that?

Mr. LYON. I control this witness now. With all your atte tie Mr. Wright up in some undesirable position, I am going to this witness, if the committee will permit me, while he is stand. We summoned Mr. Wright as our witness, and he i the stand.

Is the C., C. & O. an economical road for the transpo coal into the Carolinas?

Mr. WRIGHT. I believe it to be. It is the short route grades.

Mr. LYON. Do you know how extensively that road is transportation of coal to the Carolinas as compared wi ern Railway?

IGHT. I do not. The last report of the C., C. & O. which I
ed that they assembled one train a day and pushed it over
Ridge into the Carolinas, which was a very large train, and
d be the economical way to handle it.
ON. Where does the C., C. & O. cross the Southern and
nection with it?
IGHT. Marion, N. C.; Spartanburg, S. C.; and Johnson
n.
OM. I do not think the witness means it crosses the South-
ay at Spartanburg. That is the terminus?
IGHT. I stand corrected.
ON. It crosses at Marion, N. C., and Johnson City, Tenn.,
cts with it at Spartanburg?
AIRMAN. Point out Johnson City on the map, Mr. Lyon.
ON. It is this point here, not on this map. And from those
at Marion and the connection at Spartanburg it could, over
ern rails, reach all of the interior of the Carolinas? Is not
act?
IGHT. It is.
ON. Do you know whether or not it had this connection with
& O. prior to the building of the Bulls Gap cut-off by the
Southwestern?
IGHT. Any connection with the C., C. & O.?
ON. Yes.
IGHT. My recollection is that it was opened up about Feb-
March, 1909. The Bulls Gap cut-off was not finished at that

JOHNSON. Will you indicate that, please?
ON (indicating on the map). It is from Moccasin Gap to
. The C., C. & O. runs from Speers Ferry in this direction;
the southeast.
would you consider the economical route for moving coal
Black Mountain or Appalachia district—by Speers Ferry
s Gap cut-off?
IGHT. By Speers Ferry.
ON. And it would reach substantially the same territory to
at it reaches by Bulls Gap?
IGHT. To the southeast; exactly.
ON. Both lines finally converging at Spartanburg?
IGHT. They will both reach Spartanburg.
SMITH of Michigan. What company operates the Carolina,
& Ohio?
GHT. The railroad company bearing that name. The
any is the Cumberland Corporation, which owns the car-
ock of the carrier—and the Clinchfield Coal Co., the
oration, and several other allied corporations perform-
functions.
MITH of Michigan. But not at all related to these other
their ownership?
T. Related to the Southern?
ITH of Michigan. Yes.
T. No.
ITH of Michigan. Or the Nashville?

Mr. WRIGHT. Or the Louisville & Nashville, so far as I know.

Mr. LYON. Mr. Wright, Mr. Harrison, the president of the South-ern Railway, said in his letter to the committee giving the list o these short lines, that they were useful as feeders and as relief line Will you state, if you can, of what value they are to the Southern Railway, as far as you can judge from their physical location, othe than the local business that is produced along their rails.

Senator JOHNSON. Pardon me, Mr. Lyon. To what lines does your question refer?

Mr. LYON. They are these striped lines on the map.

Senator JOHNSON. Can you mention them by name?

Mr. LYON. The Atlantic & Danville, the Cape Fear & Yadkin Valley—Mr. Wright knows the names of them better than I.

Senator JOHNSON. We did not go into all of them yesterday, you know.

Mr. LYON. Substantially all in that eastern territory.

Mr. THOM. I would like to have the witness, before he gives his opinion about the value of this to the Southern, to qualify as of sufficient knowledge and expertness to testify on that subject.

Mr. LYON. I do not know just what the gentleman means. Nobody can be an expert on a question of that kind.

Senator JOHNSON. Let us make it certain as to what feeders your question applies.

Mr. LYON. My question is only general in its scope. I refer to the Cape Fear & Yadkin Valley, Carolina & Northwestern, Tennessee & Carolina, Knoxville & Bristol, Knoxville, Cumberland Gap & Louisville, the Cumberland Railway, the Cumberland Railroad, the Tennessee Northern—I will confine it to those. There are one or two others, but those are enough for illustration.

Mr. Wright. I can not make any statement without the assistance of the Southern Railway report covering that point. The letters written by Chairman Tillman to the Southern Railway on November 23 and 25 asked for considerable information bearing on that point, and no reply has been received to those letters. I do not believe a definite reply can be made except by the carrier handling the traffic. The situation is probably as well illustrated by the map as it can be in the absence of those figures.

Mr. LYON. Let us take it up on the map. We submitted exhib yesterday showing the financial result of those lines, as to their val from the best information we could get.

Mr. WRIGHT. That shows some financial losses in the opera of many of those lines. That statement would not apply to Virginia & Southwestern.

Mr. LYON. Take the line running from Norfolk, through Da to Stuart—which is a combination, I understand, of the Nor Danville and the Danville & Western to Stuart. Will you whether that line parallels any of the Southern Railway lines

Mr. WRIGHT. It parallels the Southern Railway line betwe ville and West Point, Va., through Richmond. It para Southern Railway lines between Greensboro and Norfolk, Durham and Raleigh. It parallels the Virginian Railway Norfolk & Western Railway.

Mr. LYON. Now, does the line from Stuart to Norfolk re the coal fields of Virginia?

Mr. WRIGHT. Not yet. It is projected.

Mr. LYON. They do not reach any of the coal fields as it is at present operated?

Mr. WRIGHT. No.

Mr. LYON. It ends at Stuart, I understand.

Mr. WRIGHT. Yes, sir.

Mr. LYON. And that is east of the Blue Ridge Mountains?

Mr. WRIGHT. East of the Blue Ridge Mountains.

Mr. LYON. And how far is it over to Galax?

Mr. WRIGHT. I have never made that calculation. I believe 40 miles would cover it.

Mr. LYON. And if it reached Galax it would then penetrate the Pocahontas Field?

Mr. WRIGHT. It would enter the Pocahontas Field.

Senator SMITH of Michigan. It looks like that is a rough country between Galax and Stuart.

Mr. WRIGHT. It is; very. The original route of that line was to Bristol, Tenn., passing to the south of Galax, and over a very good grade.

Mr. LYON. Through Jefferson?

Mr. WRIGHT. No; to the north of Jefferson, following the State line.

Senator JOHNSON. You say that is a good grade?

Mr. WRIGHT. Very much better than the line to Galax would be. They can get through.

Mr. LYON. It followed the route to Bristol——

Mr. THOM. I would like to have an answer to the chairman's question, whether it is a good grade.

Mr. LYON. He said it is.

Senator JOHNSON. What do you say as to that?

Mr. WRIGHT. The profile of that country in the section described is the same as the Norfolk & Western country to the north—one of the heaviest coal-handling roads there is in the United States. And the Norfolk & Western grade is considered good. This can be made just as good; it has the same general appearance.

Mr. LYON. Generally speaking, Mr. Wright, all this is in a mountainous country?

Mr. WRIGHT. All we have been describing is in a mountainous country.

Mr. LYON. All these coal fields are in the mountains of Virginia, Tennessee, and Kentucky?

Mr. WRIGHT. They are.

Mr. LYON. And to penetrate any of them requires railroading on a practical scale to get good grades?

Mr. WRIGHT. Yes. The reconnoissance surveys are really important, to get the best grade at the start.

Mr. LYON. Therefore this line does not receive any coal, you say, and parallels one or two other of the Southern Railway lines? That is, the line from Stuart to Norfolk.

Mr. WRIGHT. It does not receive any coal, and it does parallel the other lines.

Mr. LYON. Now, take the line from Sanford to Mount Airy, which is the northwestern half of the old Cape Fear & Yadkin Valley Rail-

road. That ends in Mount Airy. Where is that location with reference to the coal fields?

Mr. WRIGHT. That is within 30 miles of Galax, and within 135 miles of the Pocahontas coal fields.

Mr. LYON. And as to Bristol, how far is it from Mount Airy to Bristol?

Mr. WRIGHT. About 75 miles, approximately.

Senator SMITH of Michigan. Do you propose to argue that other branch lines have been taken in by the Southern Railway for the purpose of controlling their extension into the coal fields?

Mr. LYON. Yes, sir; that is the allegation made by Mr. Dulaney, which I propose to argue.

Senator SMITH of Michigan. That they have taken, for instance, that line from Stuart, through Emporia, to Norfolk for the purpose of cutting it off at Stuart. Is that the idea?

Mr. LYON. Yes, sir.

Senator SMITH of Michigan. And the same claim is made for those other lines?

Mr. LYON. All the lines that penetrate the coal field.

Senator SMITH of Michigan. Just south of the mountains there?

Mr. LYON. Yes, sir: except the one line going through Asheville, on the Southern Railway. The Carolina, Clinchfield & Ohio has made its own penetration.

Senator POINDEXTER. Are you prepared to go into the question of the feasibility of extending those lines into the coal fields through the mountains?

Mr. LYON. No, sir.

Senator POINDEXTER. I think that would be quite important.

Mr. LYON. I think so, but we are not in a position to go into those questions.

Mr. THOM. I would like to know, then, why the suggestion—that is a controlling question. Now, why this suggestion? Is it intended merely to suggest a suspicion and leave it there, or is it intended to make an investigation as to the feasibility?

Mr. LYON. I understand it is a question whether we have to have engineers here, men competent to decide those questions. I say no. Mr. Wright is here. He has resided in that section and is fairly well acquainted. He has given his general view. We know these mountains are penetrated at various points.

Senator SMITH of Michigan. Is it unfair to assume that the construction of a railroad from Norfolk to Stuart was justified in the first instance from some careful study? It must have been headed somewhere, and this amount of money must have been expended for some definite purpose. Now, if after they expended the money necessary to construct it to Stuart its progress was arrested by its acquisition by the company that had no object in the world in extending it further, I do not think that would go quite to the merits of the original plan.

Mr. THOM. Your honor, let me explain one situation. The road from Danville to Stuart is an entirely separate road from the road from Danville to Norfolk. The road from Danville to Stuart is called the Danville & Western. It was owned by the Richmond & Danville long before the Southern road came into existence, and the

Southern Railway came into existence in 1894. The road from Danville to Norfolk was acquired by lease in 1899. The two roads, the Danville & Western and the Atlantic & Danville—which is a road from Danville to Norfolk—had no relation whatever to each other by ownership or otherwise.

Mr. LYON. We shall be utterly unable to get the men who finance these deals here to testify what was the object of building these lines or what was the object of the Southern in acquiring all these dead ends. We admit that. That kind of testimony is not available.

Senator POINDEXTER. Have you introduced any exhibits or other testimony as to the financial returns of those roads?

Mr. LYON. Yes, sir. We had a fight upon all that data yesterday. Mr. Thom was trying to exclude it. We called upon the railroad to furnish it.

Senator JOHNSON. The Danville & Western is wholly within the State of Virginia, is it not?

Mr. LYON. Yes, sir.

Senator JOHNSON. Now, what was the charter of that road? Between what points?

Mr. LYON. I do not know.

Mr. WRIGHT. May I answer? The Bristol & Danville Railroad was chartered about 1889 or 1890 to construct a line from Bristol to Danville through Stuart.

Senator JOHNSON. Where is Bristol? That is what I am trying to get at. It was chartered from Bristol to Danville through Stuart?

Mr. WRIGHT. Yes, sir. My recollection is that the length of that line on their final survey was 178 miles.

Senator POINDEXTER. Whose survey was that?

Mr. WRIGHT. The Bristol & Danville. They proposed to construct a line 178 miles long from Bristol to Danville, which, added to the Atlantic & Danville, a distance of 205 miles, makes 383 miles between Bristol and tidewater, as compared with 408 miles via the Norfolk & Western Railway, the first competitor on the north. That project failed; probably the panic of 1894 destroyed that.

Senator POINDEXTER. At what point did they go through the mountains?

Mr. WRIGHT (referring to the map). You will notice the branch out to Jefferson. Just about where that intersects the mountain they went through. They had a grade.

Senator JOHNSON. A good grade from Jefferson to Stuart? Are you familiar with that?

Mr. WRIGHT. I am not, sir. I can not say that I have been through that country. I have seen most of the rest of it.

Senator SMITH of Michigan. Who owns the line between Danville and Stuart, running south?

Mr. WRIGHT. The Southern Railway Co.

Mr. LYON. No; the Norfolk & Western.

Mr. WRIGHT. Between Danville and Stuart? Oh, I beg your pardon.

Mr. THOM. There is not any road from Danville to Stuart except one.

Senator SMITH of Michigan. I mean lying between Danville and Stuart; that line running in the southeasterly direction.

Mr. WRIGHT. That is the Norfolk & Western's Winston-Salem branch. That was originally the Roanoke & Southern, purchased by the Norfolk & Western.

Senator SMITH of Michigan. Do you propose to argue that these stub lines that run in there to the mountains have been acquired by the Southern Railway, and their completion to suitable terminal points has been arrested by the Southern Railway? Is that your object?

Mr. LYON. Yes, sir; we are going to present that as a fact, as the map shows, and from that we will draw our inference. Understand, we have no way of proving what is in the heart of the Southern Railway. I do not know how to reach the heart of a corporation.

Senator SMITH of Michigan. But a good many of their hearts have been reached recently.

Mr. LYON. Yes; and I think a good many more will be reached. Every one of them has been reached that anyone has started after.

Senator SMITH of Michigan. Now, if that is true and those roads were arrested at the points you have described, that throws the traffic into those coal fields to the east of these present stub lines, does it not—to the north and to the east?

Mr. LYON. Practically all the coal in all this section moves this way, and this way [indicating]. The Southern has one route through Asheville, and the C., C. & O. is recently trying to get another. They have one train a day, I understand.

Senator POINDEXTER. And that is the C., C. & O.? Does any larger corporation control that?

Mr. LYON. Mr. Wright said that there was some coal interest.

Mr. WRIGHT. The Cumberland Corporation.

Senator POINDEXTER. Do you know whether it has any connection with the Norfolk & Western or the Pennsylvania?

Mr. WRIGHT. I do not. Mr. Norman B. Ream, of the Clinchfield Corporation and the C., C. & O. road is a director in the Baltimore & Ohio Railroad, of the Pullman Co., and of the United States Steel Corporation. Blair & Co., who are the fiscal agents and the active financial people in the Cumberland Corporation and the C., C. & O., have interests in several other concerns. Outside of the interlock of Mr. Ream I have no personal knowledge.

Mr. LYON. You do not know who lends the money to these different sets of corporations down there?

Mr. WRIGHT. I do not.

Mr. LYON. That is generally the one that controls, the one that loans the money.

Mr. WRIGHT. I would like to state that I am preparing an exhibit for the committee, showing the interlock in all these corporations. The Interstate Commerce Commission has extracted from the annual reports of the absorbed lines of the Southern Railway a list of the boards of directors, during the life of those roads and the life of the Southern Railway, and especially in the periods immediately before and after the transfer of those roads to the Southern Railway, and an exhibit will be made from that data.

Senator SMITH of Michigan. Now, Colonel, you said a few moments ago that the Southern Railway was not organized until——

Mr. THOM. 1894.

Mr. THOM. That would be from Danville to Bristol. I do not know the mileage. That was just an estimate, and we could not get that.

Senator SMITH of Michigan. Did you have any estimates for a line from Stuart to Jefferson?

Mr. THOM. We did not have any interest in the road from Danville to Stuart.

Senator SMITH of Michigan. I am now talking about the time you were receiver.

Mr. THOM. I say, we did not have, and therefore we could not take that road. We had to build from Danville.

Senator SMITH of Michigan. Was there any estimate from Stuart to Galax?

Mr. THOM. No; for the simple reason, of course, that would have given us a mere connection with the Norfolk & Western, and the Norfolk & Western would naturally haul their coal from their own fields on their own lines. The idea of having a line to connect with the Norfolk & Western just for coal traffic was delusory. Nobody would put up money to do that.

Senator SMITH of Michigan. Private capital evidently intended to do that at one time.

Mr. THOM. I do not know whether they did or not. I never heard of that before.

Senator SMITH of Michigan. It looks so. It would seem as if they had some object in going across.

Mr. THOM. Very frequently, Senator, a community will want to do that. Mr. Wright has testified that there was a charter from Bristol to Danville.

Mr. WRIGHT. And a survey.

Mr. THOM. I do not know the fact, but it is possible that the communities interested built that road from Danville as far as Stuart and then found it impossible to carry it farther and abandoned it. That is the way those things usually happen. I know it would have been a tremendous undertaking financially to carry it through, and when it got through you would have had then simply a line to the same ports as the Norfolk & Western and the Chesapeake & Ohio.

Senator POINDEXTER. You say you could have made that connection for $3,000,000?

Mr. THOM. It would have been over $3,000,000. That was the "horseback estimate."

Senator POINDEXTER. If it is a little over 200 miles it would be somewhere in the neighborhood of $15,000 a mile. Then you would have a road from Norfolk into the coal fields, would you?

Mr. THOM. No, sir; we would not have gotten to the coal fields even then.

Senator POINDEXTER. How far from the coal fields would you have been?

Mr. THOM. We would have been at Bristol, and the Virginia & Southwestern would have been between us and the coal fields.

Senator POINDEXTER. It would have been a pretty cheap competitor of such a road as the Virginia & Southwestern, would it not? That road nearly broke Mr. Rodgers, did it not?

Mr. THOM. Yes. It would have been on very different grades.

Senator POINDEXTER. Not as good a road?

Mr. THOM. Nothing like as good. It was utterly impracticable, and besides that we knew of no way to pry the money out of people's pockets. I was a good deal younger then, and I had some desire to enlarge what I was connected with. I was not connected with the Southern, but I tried to get that money, and nobody would put it in.

Senator POINDEXTER. What was your road valued at at that time?

Mr. THOM. Well, sir, when I was appointed receiver of that road the judge told me the first thing to buy was a set of spyglasses so I could find the road. I had 57 derailments in 60 days after I took it.

Senator POINDEXTER. No wonder you got to be a good railroad lawyer.

Mr. THOM. I think I have the record for derailments. I would have but one train a day, and I had 57 derailments in 60 days.

Mr. LYON. I hope the committee will take all this testimony by Mr. Thom as to the practicability of building railroads in this section as the testimony of an attorney and not an engineer.

Mr. THOM. It is the same way with the witness on the stand and with Mr. Lyon.

Mr. LYON. We lawyers often make great mistakes about these projects. This country has been covered with railroads by theorists who people said could not build them. The whole West has been built up that way.

Senator JOHNSON. You have no testimony as to that fact—whether it is practicable to build a road there or not?

Mr. LYON. No, sir; except Mr. Thom's testimony that it is impracticable.

Senator SMITH of Michigan. Are we to be furnished with any data showing the cost of taking over that road?

Mr. LYON. Not unless the Southern Railway will furnish it.

Senator SMITH of Michigan. It was taken over under lease? I am referring to that Stuart, Danville & Norfolk property.

Mr. THOM. We will give you all that is in our possession, if you desire it.

Senator SMITH of Michigan. Did you acquire the stock of it?

Mr. THOM. Yes, sir. It is a separate corporation. We merely acquired the stock and bonds.

Senator SMITH of Michigan. So that the lease was merely within yourselves?

Mr. THOM. We did not lease that.

Senator SMITH of Michigan. You leased the Danville & Atlantic?

Mr. THOM. The Atlantic & Danville; yes, sir.

Senator SMITH of Michigan. The part between Danville and Stuart?

Mr. THOM. No, sir; the part between Danville and Norfolk. We have a 50-year lease of that property.

Senator JOHNSON. Do you control the road between Danville and Stuart?

Mr. THOM. By controlling the securities; not by lease.

Senator SMITH of Michigan. How much is it bonded for? Do you remember?

Mr. THOM. No; but I will get you that information.

Mr. LYON. Can we not get all that information, if the Senator please? We would like to have all that with regard to these dead-end roads. I think Mr. Wright asked on behalf of the committee for general information of that kind, and, if they have not declined, they have failed to furnish it. I understood from the statement of Mr. Thom yesterday that it was not furnished because he thought it was not pertinent to the issue.

Mr. THOM. I think the inquiry came from Mr. Wright, but it was not signed by him. I took that batch of letters, as soon as the chairman of this subcommittee came to town, and laid them before him, and I said, "What is asked here is in the main not pertinent to this inquiry," and he told me not to——

Senator JOHNSON. That was with Senator Bryan, who is the chairman. Would it not be better to take that up when the Senator is here?

Mr. THOM. Certainly. Just let me complete this statement, and I will repeat it later. He told me then that I need not furnish that until the committee ruled on it. That is the reason it has no been done.

Mr. LYON. Let us return, Mr. Wright, to the questions I was asking you. I was to take up each of these lines and ask you the same line of questions. Mr. Harrison stated that these lines were of value to the Southern Railway Co., notwithstanding the deficit his own statement shows as to most of them. I was asking you if you could point out, in the absence of explanation by Mr. Harrison, of what value they could be to the Southern Railway other than the local business along the rails of those carriers. As to the line from Norfolk to Stuart, you say it has no connection to the coal fields?

Mr. WRIGHT. It has none.

Mr. LYON. And parallels the lines of the Southern?

Mr. WRIGHT. On both sides of it.

Mr. LYON. Now, take the line from Sanford to Mount Airy, which is the northeastern portion of the old Cape Fear & Yadkin Valley Railroad, which operated from Wilmington, the port of North Carolina, toward the mountains of the State; does that line parallel any of the lines of the Southern?

Mr. WRIGHT. Between Rural Hall and Greensboro it parallels the Wilkesboro line of the Southern.

Mr. LYON. Has the Southern any entrance into the port of Wilmington?

Mr. WRIGHT. It has none. The Atlantic Coast Line controls that end of the original Cape Fear & Yadkin Valley road through Sanford to Wilmington.

Mr. LYON. And that line could not be used in connection with the port of Wilmington unless joint rates or arrangements were made between the Atlantic Coast Line and the Southern Railway?

Mr. WRIGHT. It could not.

Mr. LYON. And presumably the Atlantic Coast Line and the Southern Railway are more or less competitive carriers for southern traffic?

Mr. WRIGHT. They are.

Mr. LYON. Does the Mount Airy line extend into the coal fields?

Mr. WRIGHT. It does not. I would like to put into the record here a letter from the North Carolina Corporation, dated Raleigh, December 7, 1914, and addressed to Chairman Tillman of the Naval Committee. It refers to the distances between those dead ends, as you call them, in several cases, and also develops the Southern Railway's ownership of $1,528,000 of first-mortgage bonds of the Carolina & Northwestern Railway, extending from Chester to Edgemont.

Mr. LYON. Now, going back to my question, is there any through coal business on that line from Sanford to Mount Airy?

Mr. WRIGHT. There is none. Probably I had better change that reply. There is some through coal business received at Walnut Cove from the Norfolk & Western Railway.

Mr. LYON (indicating on the map). That is this point, is it not?

Mr. WRIGHT. The intersection of the line of the Norfolk & Western Railway. It is delivered to the Atlantic Coast Line for points on the Atlantic Coast Line Railway.

Mr. LYON. Where does that coal come from; from what fields?

Mr. WRIGHT. The Pocahontas field, the Thacker fields, the Clinch Valley field, and the Norfolk & Western Railway.

Mr. LYON. And it would pass from the Norfolk & Western Railroad on to Southern rails, and then on to the Atlantic Coast Line?

Mr. WRIGHT. Yes, sir.

Mr. LYON. The line from Greensboro to Wilkesboro does not penetrate the coal fields?

Mr. WRIGHT. It does not.

Mr. LYON. Taking the line from Chester to Edgemont, what is the name of that line?

Mr. WRIGHT. The Carolina & Northwestern.

Mr. LYON. That line ends east of the Blue Ridge district?

Mr. WRIGHT. It ends east of the Blue Ridge.

Mr. LYON. It does not penetrate the coal fields?

Mr. WRIGHT. It does not reach the coal fields.

Mr. LYON. Do you know from your own general knowledge if it is a through line in connection with the Southern Railway?

Mr. WRIGHT. Why, it undoubtedly interchanges some through business destined to points on the Carolina & Northwestern, and originating on that road.

Mr. LYON. Now, the same is true as to these lines from Cornelia to Franklin and up to Fontana, and from Chilhowee to Knoxville—the line that is almost completed from Knoxville to Cornelia. Is there any through business on those lines?

Mr. WRIGHT. There is none to-day. That statement is radically different from the other in this respect: Franklin, Almond, Bushnell, Fontana, Chilhowee, and intermediate points on that line are all in the valley of the Little Tennessee River. The Southern Railway has spent millions of dollars in there, and that has stopped.

Mr. THOM. Trying to do what?

Mr. WRIGHT. Trying to build railroads.

Mr. THOM. To get through to the other side of the mountains?

Mr. WRIGHT. Yes, sir; both ways.

Mr. THOM. Do you know when it stopped building?

Mr. WRIGHT. I do not know; in the last two or three years. That is a matter of record in the Southern Railroad Co.'s annual report.

Mr. LYON. You do not know what induced it to stop building there, do you?

Mr. WRIGHT. I do not. It is simply the condition that exists there. The Southern Railway's reports show bonds and stocks of all those roads in its treasury, and a great deal of construction work finished and the gaps between.

Mr. LYON. You do not know whether they have made any satisfactory arrangement for moving coal via any other route?

Mr. WRIGHT. I do not.

Mr. LYON. I think we have gone over the lines from Knoxville to Cumberland in the other testimony—these little branch lines that run in up to La Follette.

Mr. WRIGHT. There are two of those ends projecting from the Cumberland Railroad or Railway about 35 or 36 miles long from Jellico, Tenn., up into the coal regions north of Artemus.

Mr. LYON. And they connect only with the Louisville & Nashville?

Mr. WRIGHT. The north end connects with the Louisville & Nashville, although it belongs to the Southern Railway. The south end connects with both the Louisville & Nashville and the Southern and is used jointly by the trains of both roads.

Mr. LYON. We will file here, as Exhibit No. 14, a table of distances from the southwestern Virginia coal fields to Knoxville, Tenn., and to Morristown, Tenn. Mr. Wright, if you have any brief statements to make concerning those distances I wish you would make it, unless the table is self-explanatory.

(Mr. Wright thereupon read to the committee the table here introduced as Exhibit No. 14; which is as follows:)

EXHIBIT NO. 14.

Distances between southwest Virginia coal field and Knoxville, Tenn.

	From Appalachia.	From St. Charles.
	Miles.	*Miles.*
Louisville & Nashville R. R. to Cumberland Gap	60	45
Southern to Knoxville	65	65
Total	125	110
Via Holston River line:		
Virginia & Southwestern Ry. to Moccasin Gap	39	62
Virginia & Southwestern Ry. to Bulls Gap	47	47
Southern Ry. to Knoxville	55	55
Total	141	164
Original line, Virginia & Southwestern Ry.:		
Virginia & Southwestern Ry. to Bluff City	81	104
Southern Ry. to Knoxville, Tenn	120	120
Total	201	224

Route through Moccasin Gap, Virginia & Southwestern Railway, is longer from Appalachia 16 miles, or 12.8 per cent, and from St. Charles 54 miles, or 49 per cent.

Distances between southwest Virginia coal field and Morristown, Tenn.

	From Appalachia.	From St. Charles.
	Miles.	*Miles.*
Louisville & Nashville R. R. to Cumberland Gap, Tenn	60	45
Southern Ry. to Corryton, Tenn	47	47
Southern Ry. to Morristown, Tenn	40	40
Total	147	132
Via Holston River line:		
Virginia & Southwestern Ry. to Moccasin Gap	39	62
Virginia & Southwestern Ry. to Bulls Gap	47	47
Southern Ry. to Morristown	13	13
Total	99	122
Original line, Virginia & Southwestern Ry.:		
Virginia & Southwestern Ry. to Bluff City	81	104
Southern Ry. to Morristown	78	78
Total	159	182

Route through Cumberland Gap, Louisville & Nashville R. R., is longer from Appalachia 48 miles, or 48.4 per cent, and from St. Charles 10 miles, or 8.2 per cent.

Mr. LYON. Mr. Wright, have you any exhibits to support the statement made by Mr. Dulaney in his testimony that the rates of the Southern Railway were controlled by agreement by the carriers?

Senator JOHNSON. Will that take some time? We have only three minutes before time for adjournment. If you are going to take some time I suggest that you let that go until after recess.

Mr. WRIGHT. I was going to put the letters in without comment. committee the letter of Senator Tillman, of November 27, 1914, referred to, from Mr. Griffin, of the Corporation Commission of North Carolina, concerning matters in connection with the Cape Fear & Yadkin Valley Railroad. I will just ask that it be filed as an exhibit.

Senator SMITH of Michigan. What is the purport of that letter?

Mr. WRIGHT. It is from the North Carolina State Corporation Commission answering certain questions about the relative distances between those gaps.

Senator SMITH of Michigan. And the coal fields?

Mr. WRIGHT. No; simply between the two ends of the line.

Mr. LYON. The two ends of what line, Mr. Wright?

Mr. WRIGHT. All those gaps—Mount Airy, Wilkesboro, Edgemont, and others.

Mr. LYON. The end of the unfinished road to the west?

Mr. WRIGHT. The distances through. There are a lot of surveys in there the North Carolina commission has cognizance of.

(Mr. Lyon thereupon read to the committee the letter of Mr. J. S. Griffin, dated Raleigh, N. C., December 7, 1914. By direction of the committee the letter of Senator Tillman, of November 27, 1914, requesting the information, was also introduced at this point. The two letters are as follows:)

NOVEMBER 27, 1914.

Hon. E. L. TRAVIS,
Chairman, Raleigh, N. C.

MY DEAR SIR: For the assistance of the Naval Committee in making investigation under Senate resolution 291, will you kindly have the following information furnished:

Names and addresses of committee purchasing Cape Fear & Yadkin Valley Railway in 1899; gross receipts, expenses, operating revenue, and fixed charges

of Atlantic & Yadkin Railway, 1899–1914, inclusive. Please give us the distance from Wilksboro to Elk Park, N. C., or Butler, Tenn., or any other purposed western terminus of the Wilksboro & Yadkin Valley Railway; distance from Edgemont, Caldwell County, to Pineola, Avery County; distance from Mount Airy, N. C., to Galax, Va., over the Norfolk & Western survey, made about 1899. Kindly advise the relation between the Southern Railway and Carolina & North Western Railway or Caldwell & Northern Railway.

Very truly, yours,

(Signed) B. R. TILLMAN.

STATE OF NORTH CAROLINA, CORPORATION COMMISSION,
Raleigh, December 7, 1914.

Hon. B. R. TILLMAN,
United States Senate, Washington, D. C.

DEAR SIR: Further in connection with our letter of December 6, with respect to your request as to record of the commission in the matter of investigation of the sale of the Cape Fear & Yadkin Valley Railroad.

We trust you have by this time received copy of the record, and your especial attention is called to the testimony of Mr. Henry Walters, now chairman of the board of directors of the Atlantic Coast Line Railroad.

Answering your inquiry of the 27th November in detail:

1. The names and addresses of the committee purchasing the Cape Fear & Yadkin Valley Railroad is given in the testimony of Mr. Harry Walters, which you will find in section B of the record.

2. We have not the operating revenue and fixed charges of the Atlantic & Yadkin Railway for 1899–1914. You will find in section D of the record a statement of the approximate gross earnings of that part of the Atlantic Coast Line formerly known as the Yadkin Valley Railroad, which is the eastern end of the old Cape Fear & Yadkin Valley Railroad.

We have in hand now the matter of obtaining the earnings of the Atlantic & Yadkin Railroad from the Southern Railway Co. officials, and will no doubt be able to furnish you with some information along this line at an early date.

3. The name of this railroad is Watauga & Yadkin instead of Wilkesboro & Yadkin, as you have it. This railroad has recently been constructed by State aid; that is to say, the State furnished part of the labor with convicts and received in payment therefor stock in the railroad. It has been completed from Wilkesboro, in Surry County, where it connects with the Wilkesboro branch of the Southern Railway, to Boone, in Watauga County. This part of that line is now in operation. It is the understanding of this department that an extension is contemplated to Elk Pork, in Watauga County, where connection will be made with the East Tennessee & Western North Carolina Railroad. The East Tennessee & Western North Carolina Railroad runs from Cranberry, N. C., to Johnson City, Tenn. It connects at Johnson City with the Southern Railway and Carolina, Clinchfield & Ohio Railroad, and at Elizabethton, Tenn., with the Virginia & Southwestern Railway, a lne owned by Southern Railway. The distance from Boone to Elk Park, via the proposed route, is, as we understand is, 19.4 miles.

It might be well to add, for your further information, that the Watauga & Yadkin Valley Railway has recently been placed in the hands of the receiver.

4. The distance from Edgemont, in Caldwell County, to Pineola, in Avery County, via a proposed extension of the Carolina & Northwestern Railway, as we understand it, is 9.7 miles.

5. The distance, as we understand it, from Mount Airy to Galax, Va., is 30 miles. The testimony of J. W. Fry, to be found in section C of the record sent you in the matter of investigation of the sale of Cape Fear & Yadkin Valley Railroad, will give you the whole history of the proposed Norfolk & Western connection with the Cape Fear & Yadkin Valley Railroad, and the route of such connection and the surveys in connection therewith, etc.

6. The Southern Railway Co. owns $1.528,000 first mortgage 5 per cent bonds of the Carolina & Northwestern Railway; and $543,000 first mortgage 5 per cent bonds of the Caldwell & Northern Railway. Our authority for this statement is annual financial report made to this commission by the Southern Railway for year ending June 30, 1914. You understand that the Carolina & Northwestern Railway and the Caldwell & Northern Railway are owned by the same interests.

The chairman directs me to say that he trusts the information given you will be of some value in the investigation you are making, and directs me also to say that he will be glad to render you any other assistance he can in the matter.

Very respectfully,

J. S. GRIFFIN.

Mr. THOM. There are some reference in that letter by headings, 1, 2, 3, etc., to some subject that has not been completely cleared up by the statements made. Perhaps it would be well to give the letter to which that is an answer.

Mr. LYON. Then I will ask the stenographer to precede this letter by the letter from the Senator asking for the information.

Senator SMITH of Michigan. It does not say what that extension costs?

Mr. LYON. No, sir; not here.

Senator SMITH of Michigan. It was built by the State?

Mr. LYON. So that letter states; yes, sir.

Mr. THOM. The committee, of course, understands that the Watauga & Yadkin Valley Railroad is one in which the Southern Railway has no interest whatever.

Senator JOHNSON. By agreement yesterday we were to sit until 1.30 and then take a recess until 2.30 o'clock. If that arrangement is satisfactory to both parties, we will meet again at 2.30 o'clock.

(A recess was thereupon taken until 2.30 o'clock p. m.)

The committee reassembled at 2.30 o'clock p. m., pursuant to adjournment.

The CHAIRMAN. We will now proceed.

Mr. LYON. Mr. Wright, what are the rates on coal to tidewater points on the South Atlantic coast from the Virginia coal fields, as compared with rates for similar distances in Virginia, West Virginia, Pennsylvania, and New York to North Atlantic tidewater points generally?

Mr. THOM. Do you include in North Atlantic points the city of Norfolk and north?

Mr. LYON. Norfolk and north, the dividing line being drawn through Norfolk.

Mr. WRIGHT. The rate to mines on the Virginia Railway, Chesapeake & Ohio, Norfolk & Western to Norfolk is $1.50 per ton of 2,000 pounds.

Mr. LYON. For local consumption?

Mr. WRIGHT. For local consumption. The Norfolk & Western and Chesapeake & Ohio have other fields more distant from the coast, which take a rate of 10 cents higher.

Mr. THOM. Are you asking the rates to points locally or for export?

Mr. LYON. Locally. Now, what are the rates by the Baltimore & Ohio to Baltimore?

Mr. WRIGHT. The rate to Philadelphia is $1.50 from the central Pennsylvania fields on the Pennsylvania, Baltimore & Ohio, New York Central, Reading, and Buffalo, Rochester & Pittsburgh.

Mr. LYON. And to New York?

Mr. WRIGHT. That is also good from northern West Virginia via Western Maryland and Baltimore & Ohio. The rate to New York

is $1.60, except to the Harsimus Cove pier, which has one consignee, the Berwind-White Co., where there is an unloading allowance of 5 cents per ton, which makes a net rate of $1.55 for that pier.

The rate to Charleston from the southwest Virginia field is $2.05; from the Tennessee field it is $1.95.

Mr. LYON. What is the rate to Wilmington?

Mr. WRIGHT. I think it is $2.10.

Mr. LYON. And to Savannah?

Mr. WRIGHT. $2.05.

Mr. LYON. What is it to Jacksonville?

Mr. WRIGHT. $2.35.

Mr. LYON. What is the rate to Brunswick and Fernandina?

Mr. WRIGHT. May I supply that, Mr. Chairman?

The CHAIRMAN. If there is no objection.

Mr. LYON. That is a question of tariffs.

Mr. THOM. Maybe we have it; I don't know.

Mr. LYON. Mr. Wright, are the distances by the short line from the Virginia and Tennessee fields to these South Atlantic ports substantially the same as from the coal fields to the North Atlantic ports?

Mr. WRIGHT. Substantially the same; yes.

Mr. LYON. About what is the distance, generally speaking—an average distance from the lines that take the $1.50 rate at Norfolk?

Senator JOHNSON. Excuse me, if I inquire. You say the distance; do you mean by rail?

Mr. LYON. Yes, sir; by rail.

Mr. WRIGHT. Suppose we begin south and go north, as that is more convenient to my memory.

The short-line mileage from Appalachia, Va., to Charleston, S. C., via Spears Ferry, Clinchfield to Spartanburg, and the Southern Railway to Charleston is 449 miles; the rate, $2.05.

The Southern, I think, from Appalachia to Charleston via the Virginia & Southwestern and Southern all the way is 470 miles and the rate, $2.05.

Senator POINDEXTER. To what point?

Mr. WRIGHT. Charleston; over the two routes to Charleston.

The Norfolk & Western Railroad from Norton, Va., which is 10 miles, from Appalachia, and in the same field, has a distance of 472 miles to Lamberts Point or Norfolk, which is the shipping point at Norfolk; the rate is $1.50. That is the maximum haul to Norfolk at that rate, and is higher than the West Virginia haul.

Mr. LYON. Have you knowledge as to what is the average haul?

Mr. WRIGHT. Four hundred and thirty miles would be a fair average.

Senator POINDEXTER. Now, can you give us in that connection the rate to Wilmington, Jacksonville, and Mobile and Brunswick—are they higher than this Charleston rate?

Mr. WRIGHT. Yes, sir; the Charleston rate is $2.05.

Mr. LYON. No; $2.10.

Mr. RIXEY. The rate from the Virginia mines to Wilmington is $2.05; to Charleston is $2.05; to Savannah is $2.10; to Brunswick, $2.15; to Jacksonville, $2.35.

The CHAIRMAN. Have you Fernandina?

Mr. RIXEY. No, sir.

The CHAIRMAN. The same as to Jacksonville, I presume.

Mr. RIXEY. I think so.

Mr. WRIGHT. I have not the Baltimore & Ohio and Western Maryland distances at my command. The Chesapeake & Ohio and Virginian Railway, of course, meets the Norfolk & Western rate of $1.50 to Norfolk from their mines in West Virginia.

The Virginian distance approximates 440 miles; the Chesapeake & Ohio about the same.

The CHAIRMAN. Does any railroad line from the Virginia mines to South Atlantic ports reach into the mines or from the mines to the tidewater?

Mr. WRIGHT. No other railroad. The Norfolk & Western and the Virginia & Southwestern and Southern and the Clinchfield, which I have named. I have not given you the distance through Dante via the Clinchfield.

Senator POINDEXTER. Are there any rates from the southern mines to the South Atlantic ports lower than this Charleston rate to any port?

Mr. WRIGHT. From any mines?

Senator POINDEXTER. From any mines shipping over the Southern system.

Mr. WRIGHT. They have a rate of $1 from Birmingham, Ala., to Mobile, but none to any other South Atlantic point. There is a rate of $1.95 on coal to Charleston from Coal Creek, Tenn.

Mr. THOM. The committee understands that all these rates now being given are rates simply to ports for domestic use and not the rates to ports for shipment beyond.

Mr. LYON. I thought I made that perfectly clear.

Senator POINDEXTER. That Norfolk rate was local, also?

Mr. LYON. Local consumption.

Senator POINDEXTER. Are you going to take up the export rate?

Mr. WRIGHT. I thought that had been disposed of. I think the rate is $1.90 Birmingham to Jacksonville.

Mr. LYON. $1.90 from Birmingham.

Mr. WRIGHT. My explanation to the committee of why I am quoting the local rate to the port in the South——

The CHAIRMAN. I do not know that that is necessary. It is in; we can gather the reason.

Mr. LYON. I have a reason for asking the question that way. It will come out. Now, the $1.95 rate from Clinchfield applies north of Knoxville. How does that coal reach Charleston?

Mr. WRIGHT. Over the Southern Railway the entire distance.

Mr. LYON. Via Atlanta?

Mr. WRIGHT. No; Morristown and Asheville.

Mr. LYON. Are there any other questions about the Southern points there on the north?

Senator POINDEXTER. I will ask particularly about Savannah. Has Savannah any better rates?

The CHAIRMAN. You mean from the Tennessee coal fields?

Senator POINDEXTER. Yes; from any coal fields.

Mr. WRIGHT. I think Savannah has the rate of $1.75 from the Alabama coal field; that is subject to check with the tariff.

Mr. RIXEY. $1.85.

Senator POINDEXTER. Over what roads?

Mr. WRIGHT. The Central of Georgia, Southern, and the Atlantic Coast Line.

Senator POINDEXTER. What rate has it from the Appalachian coal field or Knoxville region?

Mr. WRIGHT. We have $2.10 from the Appalachian field; $2 from the Coal Creek field; and there is the rate of $1.55 from the Appalachian field only to Savannah when for bunkering purposes in the harbor there, but I understand that that is not applied on coal used in the city of Savannah.

The CHAIRMAN. I think Mr. Lyon would like for you first to limit your testimony for the shipment for domestic use and then take up the tidewater shipments afterwards.

Mr. LYON. I want to get at the local rates first. You said you have not the distance via the Baltimore & Ohio and the Western Maryland from the mines on those roads to Philadelphia and Baltimore?

Mr. WRIGHT. I can put in the distances; I have not the exact rates to put them in.

Mr. LYON. The exact rates?

Mr. WRIGHT. The exact rates. It is about $1.35 to $1.50, according to the district of origin in West Virginia and Pennsylvania.

Mr. LYON. At what port?

Mr. WRIGHT. Baltimore. At Philadelphia the rate from central Pennsylvania is $1.50.

Mr. LYON. And the distance?

Mr. WRIGHT. The distance about 275 miles.

Mr. RIXEY. That mileage is 200 miles to Baltimore; 297 to Philadelphia.

Mr. LYON. What is the rate?

Mr. GREEN. That is the local rate, but my recollection is $1.60.

Mr. WRIGHT. Would it be higher than——

Mr. RIXEY. We gave you Philadelphia and Baltimore as 200.

Mr. WRIGHT. But the rates to Baltimore?

Mr. RIXEY. I say I have not the rates to Baltimore nor Philadelphia proper. I understand it is $1.50 or $1.60.

Mr. WRIGHT. That rate is applied from the Cumberland district, Myersdale district on the Baltimore & Ohio and Western Maryland, in addition to Keyser.

Mr. RIXEY. The distance from Myersdale to Baltimore is 235 miles; to Philadelphia is 322; from Cumberland, Md., district to Baltimore, via the Western Maryland, it is 192 miles.

Mr. WRIGHT. The shortest distance on coal to the tidewater is from the Cumberland, Md., district to Baltimore, approximately 200 miles average haul. The distance from that same field to Philadelphia via Baltimore & Ohio Railroad is 330 to 335 miles, and the rate is $1.50 to Philadelphia. The Pennsylvania Railroad makes a rate of $1.50 to Philadelphia from the territory west of Altoona, known as the "Clearfield district," and the haul is about 255 to 265 miles; and, of course, that rate is met by the Buffalo, Rochester & Pittsburgh Railroad from its Walston or Islen district; their haul is about 330 miles to Philadelphia; rate $1.50. The New York rate is $1.60, and the distance is usually 90 miles farther than Philadelphia.

Mr. LYON. Now, you referred to the bunker rate at Savannah. What did you state that rate was?

Mr. WRIGHT. $1.55.

Mr. LYON. Is that net or gross ton?

Mr. WRIGHT. That is gross ton.

Mr. LYON. Do you know whether there are bunker rates to the other South Atlantic ports? The question was asked as to tidewater rates for shipment beyond the ports. Will you please state the rates, beginning at New York, down the coast?

Mr. WRIGHT. The New York rate is $1.60 per gross ton, except to Harsimus Cove, where it makes $1.55 net to Berwind White Co., who control the terminal there.

Mr. LYON. That is, you mean 5 cents per ton is paid to Berwyn White for unloading cars.

Mr. WRIGHT. Yes, sir. The rest of the business is unloaded at Perth Amboy, back of Staten Island; the rate of $1.60 is charged there. To Philadelphia the rate is $1.25 per gross ton from all distances.

Senator POINDEXTER. And what is it to New York?

Mr. WRIGHT. $1.55 and $1.60.

Mr. LYON. What is the rate to Baltimore?

Mr. WRIGHT. The rate is $1.18 per gross ton.

Mr. LYON. And to Norfolk and Newport News?

Mr. WRIGHT. The rate to Norfolk and Newport News—to Sewalls Point; that is the terminus of the Virginian Railway—is $1.40 a gross ton; to Charleston, $1.40 gross ton. I do not know of any rate on tidewater coal to Wilmington or to any ports south of Charleston.

Senator POINDEXTER. South of Charleston?

Mr. WRIGHT. On the Atlantic coast.

Senator POINDEXTER. And how about Charleston itself?

Mr. WRIGHT. The rate is $1.40. There are rates into Gulf ports, if you care to have them.

Mr. LYON. What are those rates and what are the ports?

Mr. WRIGHT. The rate to Pensacola and Mobile is $1, and New Orleans is $1.25 per net ton from the Alabama field.

Mr. LYON. Will you give about the estimate of the distance from Birmingham to those ports?

Mr. WRIGHT. Approximately 260 miles to Pensacola and Mobile; New Orleans 349 miles from Birmingham proper.

To complete the statement, there is a rate from western Kentucky mines on the Ohio River, made by the Illinois Central to New Orleans, of $1.25 a ton. The distance is about 650 miles.

Mr. LYON. That was an exceptionally low rate for the handling of coal, was it not?

Mr. WRIGHT. Yes; that is, applying from western Kentucky. The rates from the Alabama field are the same, although the distance is practically double.

Mr. LYON. You are not the man who made the rate, but have you any theory or explanation of that rate and its extraordinary character?

Mr. WRIGHT. Yes; my belief is that the Illinois Central Railroad wanted to meet competition of the Alabama field and its carriers to the Gulf and that of the Ohio and Mississippi Rivers from the mines proper, both of them controlling reasons.

Mr. THOM. Was not the explanation of the rates of $1.25 from the Alabama mines to New Orleans the competition from the Pittsburgh region down the Ohio River and the Mississippi River to New Orleans?

Mr. WRIGHT. Originally?

Mr. THOM. Yes.

Mr. WRIGHT. Yes, sir.

Mr. THOM. In other words, that very low rate is accounted for by the water competition from what has been called the "Coal Trust owned property" in Pennsylvania, down the Ohio and Mississippi Rivers; is that it?

Mr. WRIGHT. That is my recollection of the beginning of that rate.

Mr. LYON. Since you have gone into that, you do not mean to say that is the reason for the rates now?

Mr. WRIGHT. No; I do not undertake to pass on that now. The volume is very heavy.

Mr. LYON. That was years ago, when coal moved in large quantities down the Mississippi?

Mr. WRIGHT. Yes.

Mr. LYON. And you understand that the Birmingham-New Orleans rate was made to meet that situation?

Mr. WRIGHT. It was.

Mr. LYON. Was the movement of coal from Birmingham to New Orleans by rail at that time of the extensive character which it is now?

Mr. WRIGHT. Nothing like it.

Mr. LYON. Mr. Wright, there is some reference, I think, in the testimony of Mr. Dulaney, probably his cross examination, concerning the $1.40 rate from Norton, Va., on the Norfolk & Western Railway to Norfolk for exports, and that all of that rate was the same by the Norfolk & Western Railway, and the question of the reasonableness of the proposition to extend that beyond Norton into the Black Mountain or other mines in the Apalachian districts was there questioned. I want to ask you to what territory the $1.40 rate from the Apalachian region mountain covers at the point of origin, and over what roads it has to move to reach Charleston?

Mr. WRIGHT. Why, it begins at Toms Creek.

Mr. LYON. Where is Toms Creek?

Mr. WRIGHT. You have got the map.

Mr. LYON. I have the map, but I want to get it into the record.

Mr. WRIGHT. Toms Creek is 14 miles east of Norton, Va., on the Norfolk & Western Railroad.

Mr. LYON. How would export coal moving from Toms Creek to Charleston move—over what rails?

Mr. WRIGHT. Over the rails of the Norfolk & Western Railway to Norton, the Louisville & Nashville Railroad from Norton to Apalachia.

Mr. THOM. Stopping right there, do you mean to be moved by the Norfolk & Western road and the Louisville & Nashville, or by somebody over their rails under a traffic arrangement with another road?

Mr. LYON. If the committee will allow me, I will bring that out, but do not interrupt my examination now.

Mr. WRIGHT. Over the rails of the Norfolk & Western Railroad from Toms Creek to Norton, the Louisville & Nashville Railroad

from Norton to Appalachia, 10 miles; over the Virginia & Southwestern Railroad to Speers Ferry, and from that point either over the C., C. & O., Clinchfield, or the Southern.

Mr. LYON. Take up one now.

Mr. WRIGHT. Spartanburg, S. C., on the Southern Railroad.

Mr. LYON. Either moved over the Clinchfield to Spartanburg and thence the Southern Railway or Virginia & Southwestern, and Southern Railway through Morristown and Asheville to Spartanburg.

Mr. WRIGHT. There are two routes between Spears Ferry and Spartanburg, the shorter route being the C., C. & O. or Clinchfield; the longer via the Virginia & Southwestern and Southern through Morristown and Asheville. From Spartanburg it moves over the Southern Railway to Charleston.

Mr. LYON. Do you know whether the $1.40 rate applies via the Spears Ferry and C., C. & O. route, or exclusively via the Southern Railway?

Mr. WRIGHT. I do not know. My impression was that it was first put in to apply exclusively over the C., C. & O. until the Southern made some improvement in its tracks. I am speaking now of understanding. Whether that has been made applicable or is applicable to-day both ways or not I can not state, without the tariff before me. The Virginia & Southwestern will receive the coal and the Southern will deliver it at Charleston.

Mr. THOM. Have you made it plain as to the other point—my attention was called off—about what roads move that coal, the movement of which is now under discussion, from Toms Creek to Appalachia?

Mr. LYON. No, sir.

Mr. THOM. You have not made that plain, yet.

Mr. LYON. No, sir. How far, taking the route via the Southern Railway, leaving the C., C. & O. out, how many roads will that $1.40 rate be divided into?

Mr. WRIGHT. While the Virginia & Southwestern is the initial line at Toms Creek and operates over the rails mentioned from Toms Creek to Appalachia, its own trains, so that the train movement is Virginia & Southwestern, and there would be, the Virginia & Southwestern and the Southern Railway via one route; the Virginia & Southwestern, the Carolina, Clinchfield & Ohio, and the Southern Railway in the second route.

Mr. LYON. You have stated now about Toms Creek?

Mr. WRIGHT. I have.

Mr. LYON. In order for the Virginia & Southwestern Railway to operate its trains from Toms Creek to Appalachia, what arrangement does it have to make with intervening carriers? You say it passes over the Norfolk & Western rails and the Louisville & Nashville rails?

Mr. WRIGHT. It has a trackage contract with the Louisville & Nashville and Norfolk & Western, by which it uses their rails on some basis of compensation of which I can not to-day quote from memory.

Mr. LYON. It has a trackage arrangement?

Mr. WRIGHT. It has a trackage arrangement.

Mr. LYON. Taking coal between Toms Creek or the junction at Coburn, the Norfolk & Western with its branch up to Toms Creek and Norton, and when coal moves from intervening stations, how does it get to Charleston?

Mr. WRIGHT. The Norfolk & Western handles that, I understand, to Norton.

Mr. LYON. On its own branch?

Mr. WRIGHT. On its own trains, where the Virginia & Southwestern picks it up.

Mr. LYON. At Norton?

Mr. WRIGHT. At Norton.

Mr. LYON. And there the Virginia & Southwestern handles that coal with a trackage arrangement with the Louisville & Nashville.

Mr. WRIGHT. To Appalachia, then over its own line.

Mr. LYON. Do you know what portion of the $1.40 rate is paid to the Norfolk & Western Railway on this export coal?

Mr. THOM. From what?

Mr. LYON. Between Coburn and Norton?

Mr. WRIGHT. My recollection is that it is 10 cents from some of those stations and 15 cents from the rest.

Mr. LYON. The 10-cent differential applies to stations nearer Norton?

Mr. WRIGHT. Yes.

Mr. LYON. And the 15-cent differential applies to the stations farther from Norton?

Mr. WRIGHT. That was my statement.

Mr. LYON. Does the 15-cent division apply from points east of Coburn up to the junction of the C., C. & O. on the Norfolk & Western?

Mr. WRIGHT. It does, to St. Paul.

Mr. LYON. And the $1.40-cent rate was applied from what is known as the Stonega, or stations on the Interstate Railroad. How does that coal reach Charleston, and with what roads is the rate divided?

Mr. WRIGHT. The Interstate Railroad.

Mr. LYON. Up to what point?

Mr. WRIGHT. To Appalachia.

Mr. LYON. And beyond that the route as you have stated?

Mr. WRIGHT. The same as the others—Virginia & Southwestern, Southern Railway, Virginia & Southwestern, Clinchfield and Southern.

Mr. LYON. And the Virginia & Southwestern has some operating arrangement with the Interstate Railroad?

Mr. WRIGHT. Yes; they have formed the Appalachia Terminal Association, which is a pool of the power and equipment and the tracks of the Interstate Railway and Virginia & Southwestern Railway. The total monthly expense of operation, taxes, and the interest charges on the tracks used being divided by the cars handled and the tons handled. I have the figures on that. I understand that to-day it approximates 12 cents a ton.

Mr. LYON. To do what?

Mr. WRIGHT. To bring it down to Appalachia.

Mr. LYON. That is the way that is carried through, is it?

Mr. WRIGHT. It is.

Mr. LYON. Have you any figures you wish to present as to the cost?

Mr. WRIGHT. Here is a photograph of a statement made by the accounting department of the Virginia & Southwestern Railroad, March 30, 1909, which shows the operation of the Stonega and Norton blocks of the Appalachia Terminal Co. and Interstate Railroad for February, 1909.

Mr. LYON. What does it show; do you want to file it?

Mr. WRIGHT. It shows that in the month of February, 1909——

Mr. BULLIT. Have you a copy of that statement, Mr. Wright?

Mr. WRIGHT. Only the photograph.

Mr. BULLIT. Have you any additional photographs?

Mr. WRIGHT. No. sir; there is one here in the Department of Justice, the only copy I know of.

Mr. LYON. Proceed with that one.

(The photographic copy of statement here submitted by Mr. Wright is as follows:)

RECAPITULATION.

Stonega and Norton blocks, February, 1909.

	Number cars.	Number tons.	V. & S. W. gross revenue.
EARNINGS.			
Norton block	55	1,592	$787.69
Stonega block	562	18,372	9,667.58
Total	617	19,964	10,455.27
EXPENSES.			
Operation cost, Norton block	$582.65		
Operation cost, Stonega block	1,509.19	$2,091.84	
Trackage cost, Norton block	1,136.82		
Trackage cost, Stonega block	259.95	1,396.77	
Service V. & S. W., business from Norton block	502.42		
Service V. & S. W., business from Stonega block	5,793.31	6,295.73	
			9,784.34
Profit on February business			670.93

Details of cost delivery, Appalachia.

	Per ton.	Per car.
	Cents.	
Terminal Association operation cost	10.48	$3.39
Interstate Railroad, trackage cost	7.00	2.26
Total cost for delivdry at Appalachia	17.48	5.65

		Average per ton.	Average per car.
		Cents.	
V. & S. W. gross revenue, destination	$10,455.27	52.37	$16.94
V. & S. W. expense, destination	9,784.34	49.00	15.86
V. & S. W. profit, destination	670.93	3.37	1.08

Cost for delivery at Appalachia under 10 cents per ton agreement	$1,996.40
Cost for delivery at Appalachia under agreement of Jan. 29, 1909	3,488.61
Increase in cost under new agreement	1,492.21

NORTON BLOCK.

Results from operation of contract effective Feb. 1, 1909, for month of February, 1909.

REVENUE.

				V. & S. W. gross revenue.
Blackwood to Bluff City, 24 cars coke, 652 tons				$326.26
Dorchester to Bluff City, 27 cars coke, 776 tons				388.12
Dorchester to Big Stone Gap, 1 car coal, 36 tons				9.08
Norton to Bluff City, 3 cars coal, 128 tons				64.23
55 cars, 1,592 tons				787.69

EXPENSES.

Operation Norton block:				
V. & S. W. proportion maintenance of way and structure	$369.03			
V. & S. W. proportion maintenance of equipment	32.36			
V. & S. W. proportion transportation expenses	151.85			
V. & S. W. proportion general expenses	11.51			
V. & S. W. proportion miscellaneous (rent, equipment)	17.90			
		$582.65		
Trackage, interest on cost		1,136.82		
			$1,719.47	
Service, Appalachia to V. & S. W. destination:				
1,556 tons, at 32 cents per ton		497.92		
36 tons, at 12½ cents per ton		4.50		
			502.42	
				2,221.89
Loss on February business				1,434.20

Details of cost delivery, Appalachia.

	Per ton.	Per car.
Terminal Association operation cost	$0.366	$10.59
Interstate Railroad trackage cost	.714	20.67
Total cost for delivery, Appalachia	1.08	31.26

		Average per ton.	Average per car.
V. & S. W. gross revenue, destination	$787.69	$0.49½	$14.32
V. & S. W. expense, destination	2,221.89	1.39½	40.40
V. & S. W. total loss at destination	1,434.20	.90	26.08

Cost for delivery at Appalachia under 10 cents per ton agreement	$159.20
Cost for delivery at Appalachia under agreement of Jan. 29, 1909	1,719.47
Increase in cost under new agreement	1,560.27

STONEGA BLOCK.

Results from operation of contract effective Feb. 1, 1909, for month of February, 1909.

REVENUE.

Osaka to Bluff City, 82 cars coke, 2,014 tons	$1,006.97
Stonega to Bluff City, 225 cars coal and coke, 5,766 tons	2,883.36
Stonega to Bristol, 1 car coke, 22 tons	23.20
Roda to Bluff City, 213 cars coal, 8,868 tons	4,448.96
Roda to Bristol, 35 cars coal, 1,450 tons	1,164.35
Roda to Gate City, 1 car coal, 44 tons	39.51
Roda to Big Stone Gap, 3 cars coal, 126 tons	31.44
Roda to Elizabethton, 2 cars coal, 82 tons	69.79
562 cars, 18,372 tons	9,667.58

EXPENSES.

'peration Stonega block:				
V. & S. W. proportion maintenance of way and structures		$256.82		
V. & S. W. proportion maintenance of equipment		173.01		
V. & S. W. proportion transportation expenses	$1,034.32			
Less credit	123.05			
		911.27		
V. & S. W. proportion general expenses		72.37		
V. & S. W. proportion miscellaneous (equipment)		95.72		
			$1,509.19	
Trackage, interest on cost			259.95	
			1,769.14	
ervice Appalachia to V. & S. W. destination:				
16,648 tons, at 32 cents per ton		$5,327.36		
1,472 tons, at 28 cents per ton		412.16		
44 tons, at 17½ cents per ton		7.70		
126 tons, at 12½ cents per ton		15.75		
82 tons, at 37 cents per ton		30.34		
			5,793.31	
				$7,562.45
Profit on February business				2,105.13

Details of cost of delivery at Appalachia.

	Per ton.	Per car.
erminal Association operation cost	$0.0821	$2.660
R. R. trackage cost	.0141	.463
Total cost for delivery at Appalachia	.0962	3.153

		Average per ton.	Average per car.
'. & S. W. gross revenue, destination	$9.667.58	$0.5262	$17.20
'. & S. W. expense, destination	7.562.45	.4116	13.46
V. & S. W. profit, destination	2.105.13	.1146	3.74

'ost for delivery at Appalachia under 10-cents-per-ton agreement	$1,837.20
'ost for delivery at Appalachia under agreement of Jan. 29, 1909	1,769.14
Decrease in cost under new agreement	68.06

February, 1909.

	Norton block.	Stonega block.	Total.	Per cent.
faintenance of way and structures	$1,046.89	$916.86	$1,963.75	26.25
faintenance of equipment	91.81	617.68	709.49	9.48
'ransportation expenses	430.79	3,692.67	4,123.46	55.12
'eneral expenses	32.65	258.38	291.03	3.90
fiscellaneous	50.79	341.72	392.51	5.25
	1,652.93	5,827.31	7,480.24	100.00
ess switching credit	.....	439.31	439.31	.....
		5,388.00	7,040.93	.....
. & S. W. proportion	582.65	1,509.19	2,091.84	.....
er cent	35.25	28.01	29.71	.....

APPALACHIA TERMINAL ASSOCIATION.

STONEGA, VA., *March 19, 1909.*

irginia & Southwestern Railway Co. to Appalachia Terminal Association for proportion of cost of operation, maintenance, etc., for February, 1909, as per Terminal Association agreement dated January 29, 1900.

ransportation expenses:		
Stonega block—		
As per detailed statement attached hereto, $3,692.67, V. & S. W. Ry. Co.'s proportion 28.01 per cent	$1,034.32	
Norton block—		
As per detailed statement attached hereto, $430.79, V. & S. W. Ry. Co.'s proportion 35.25 per cent	151.85	
		$1,186.17

Maintenance of ways and structures:		
Stonega block—		
As per detailed statement attached hereto, $916.86, V. & S. W. Ry. Co.'s proportion 28.01 per cent	$256.82	
Norton block—		
As per detailed statement attached hereto, $1,046.89, V. & S. W. Ry. Co.'s proportion 35.25 per cent	369.03	
		$625.85
General expenses:		
As per detailed statement attached hereto, $291.03—		
Stonega block, 88.78 per cent	258.38	
Norton block, 11.22 per cent	32.65	
	291.03	
Stonega block, V. & S. W. Ry. Co. proportion 28.01 per cent of $258.38	72.37	
Norton block, V. & S. W. Ry. Co. proportion 35.25 per cent cent of $32.65	11.51	
		83.88
Maintenance of equipment:		
As per detailed statement attached hereto, $709.49—		
Stonega block, 87.06 per cent	617.68	
Norton block, 12.94 per cent	91.81	
	709.49	
Stonega block, V. & S. W. Ry. Co.'s proportion 28.01 per cent of $617.68	173.01	
Norton block, V. & S. W. Ry. Co.'s proportion 35.25 per cent of $91.81	32.36	
		205.37
Miscellaneous:		
Hire of equipment	342.94	
Miscellaneous rents	49.57	
	392.51	
Stonega block, 87.06 per cent	341.72	
Norton block, 12.94 per cent	50.79	
	392.51	
Stonega block, V. & S. W. Ry. Co.'s proportion 28.01 per cent of $341.72	95.72	
Norton block, V. & S. W. Ry. Co.'s proportion 35.25 per cent of $50.79	17.90	
		113.62
Gross total		2,214.89
LESS.		
Switching revenue:		
Total switching revenue payable by—		
Stonega Coke & Coal Co	439.31	
Virginia & Southwestern Railway Co.'s proportion 28.01 per cent		123.05
Net total		2,091.84

Detailed accounts for February, 1909, in connection with agreement dated Jan. 29, 1909.

	Stonega block.	Norton block.	Total.
TRANSPORTATION EXPENSES.			
Superintendence	$329.72	$41.67	
Dispatching trains	110.98	14.02	
Enginemen	699.85	88.45	
Trainmen	1,146.74	144.92	
Station employees	593.76	52.24	
Weighing & Car Service Association	14.58	.....	
Station Supplies and expenses	64.65	.....	
Yard supplies and expenses	56.55	15.68	
Engine house expenses	64.59	8.16	
Fuel for locomotives	309.84	39.16	
Lubricants for locomotives	53.92	6.82	
Other supplies for locomotives	8.54	1.08	
Train supplies and expenses	62.18	7.86	
Clearing wrecks	110.83	4.86	

Detailed accounts for February, 1909, etc.—Continued.

	Stonega block.	Norton block.	Total.
TRANSPORTATION EXPENSES—continued.			
Telegraph and telephone	$1.01	$0.13	
Other expenses	16.12	.....	
Stationery and printing	24.06	3.04	
Damage to stock	14.10	1.35	
Injuries to persons	10.65	1.35	
	3,692.67	430.79	$4,123.46
MAINTENANCE OF WAYS AND STRUCTURES.			
Superintendence	62.61	62.60	
Other track material	58.32	56.76	
Roadway and track	590.54	900.04	
Bridges, trestles, and culverts	160.05	.....	
Telegraph and telephone lines	23.25	27.49	
Grade crossings and fences, cattle guards and signs	5.35	.....	
Buildings, fixtures, and grounds	16.20	.....	
Roadway, tools, and supplies	.54	.....	
	916.86	1,046.89	1,963.75
GENERAL EXPENSES.			
Salaries and expenses, general office	52.50		
Salaries and expenses, clerks	100.00		
General office supplies and expenses	12.50		
Stationery and printing	46.87		
Insurance	79.16		
		291.03	291.03
MAINTENANCE OF EQUIPMENT.			
Superintendence	85.00		
Steam locomotive repairs	281.04		
Freight-train car repairs	261.93		
Shop machinery and tools	81.52		
		709.49	709.49

HIRE OF EQUIPMENT: One month, at 7 per cent, on valuation of equipment leased from Interstate Railroad Co.

MISCELLANEOUS RENTS: Rent of machine-shop building, including tools.

Interstate railroad equipment leased to Appalachia Terminal Association, showing valuation as of Feb. 1, 1909.

[Locomotives depreciated at 2 per cent per annum from date of purchase, except as to locomotive No. 2, which is valued at $5.000, and locomotive No. 5, valued at $12,000, as of date it was rebuilt. Cars depreciated as per M. C. B. rules.]

12 flat cars, numbered 16, 17, and 18; 210 to 212; 250 to 255	$3,675.95
2 side dump cars, numbered 50 and 51	477.30
5 locomotives, numbered 1, 2, 3, 4, and 5	54,636.69
	58,789.94

INTERSTATE RAILROAD CO.

STONEGA, VA., *March 19, 1909.*

Virginia & Southwestern Railway Co. to Interstate Railroad Co., for proportion of interest on cost of construction for February, 1909, in connection with the Terminal Association agreement and contract between Interstate Railroad Co. and Virginia & Southwestern Railway Co. dated December 1, 1906.

Interest charges:		
Cost as of Feb. 1, 1909—		
Stonega block		$185,610.22
Add 20 per cent		37,122.04
		222,732.26
Above amount one month at 5 per cent per annum, $928.05; V. & S. W. Ry. Co. proportion, 28.01 per cent		259.95
Norton block	$645,003.52	
Add 20 per cent	129,000.71	
	774,004.23	
Above amount one month at 5 per cent per annum, $3,225.02; V. & S. W. Ry. Co. proportion, 35.25 per cent		1,136.82
Total		1,396.77

		Per cent.
Car miles:		
Stonega block—		
Virginia & Southwestern Ry. Co	$5,632	28.01
Interstate Railroad Co	14,474	71.99
Total	20,106	100
Norton block—		
Virginia & Southwestern Ry. Co	896	35.25
Interstate Railroad Co	1,646	64.75
Total	2,542	100

Detail statement of construction and equipment account to Jan. 31, 1909.

Road:	
Engineering	$38,081.99
Right of way and station grounds	75,620.29
Real estate	6,548.71
Grading	274,138.33
Bridges, trestles, and culverts	171,748.37
Ties	26,356.81
Rails	119,594.06
Frogs and switches	6,365.09
Track fastenings and other materials	20,526.34
Ballast	18,450.21
Track laying and surfacing	52,937.06
Roadway tools	275.00
Fencing right of way	344.36
Crossings and signs	1,218.95
Telegraph and telephone lines	3,724.34
Station buildings and fixtures	3,575.15
Shop machinery and tools	250.00
Miscellaneous structures	925.69
Total	820,690.84
General expenditures:	
Law expenses	4,185.60
Interest and commissions	15.83
Other expenditures	5,721.47
Total	9,922.90
Recapitulation:	
Road	820,690.84
General expenditures	9,922.90
Total	830,613.74

STONEGA BLOCK.		NORTON BLOCK.	
Callahan section	$104,089.24	Norton section	$244,605.35
Mud Lick section	44,903.36	Appalachia section	209,691.27
Preacher section	31,532.34	Blackwood section	111,791.56
Additions and betterments	5,085.28	Roaring Fork section	78,915.34
	185,610.22		645,003.52

APPALACHIA TERMINAL ASSOCIATION.

Mileage and percentages used in connection with accounts for February, 1909, as provided in agreement dated Jan. 29, 1909.

		Per cent.
Car miles:		
Stonega block—		
Virginia & Southwestern Ry. Co	5,632	28.01
Interstate Railroad Co	14,474	71.99
Total	20,106	100.00
Norton block—		
Virginia & Southwestern Ry. Co	896	35.25
Interstate Railroad Co	1,646	64.75
Total	2,542	100.00
Stonega block	20,106	88.78
Norton block	2,542	11.22
Total	22,648	100.00
Car and engine miles:		
Stonega block	23,623	87.06
Norton block	3,510	12.94
Total	27,133	100.00

Mr. WRIGHT. Norton block, 55 cars.

Mr. THOM. What does it purport to be?

Mr. WRIGHT. A statement of the earnings of the Virginia & Southwestern road for the month of February, 1909, of business coming from the Interstate Railroad.

The CHAIRMAN. And going where?

Mr. WRIGHT. To all destinations; the entire movement of that field for that month—February, 1909.

It shows that the Virginia & Southwestern received out of the Norton block 55 cars, containing 1,592 tons; Virginia & Southwestern's revenue, $787.69; and from the Stonega block 562 cars, containing 18,372 tons; Virginia & Southwestern gross revenue, $9,667.58; total revenue for the month, $10,455.27.

Mr. LYON. I think it is unnecessary to go into those details, if you will state the final figures.

Mr. WRIGHT. Well, the expense was $9,784, and the profit to the Virginia & Southwestern on the February, 1909, business $670.93. This, I understand, was the month of the operation of the new contract between the Virginia & Southwestern and the Interstate Railroad, and the increased cost under the new contract for the month is $1,492.21. It shows that the service cost from Appalachia to various junction points on the Virginia & Southwestern Railroad on the coal in question was 32 cents per ton and 12½ cents per ton on the tonnage out of the Norton block.

Mr. LYON. What do you mean by 32 and 12½ cents?

Mr. WRIGHT. I will detail——

Mr. LYON. Do you mean on those to be added together?

Mr. WRIGHT. Yes; shipments from Blackwood to Bluff City, Tenn., from beyond 24 cars coke; Dorchester to Bluff City, 27 cars coke; Dorchester to Big Stone Gap, 1 car coal; Norton to Bluff City, 3 cars coal; total, 55 cars handled by the Virginia & Southwestern originating in the Norton block. The Virginia & Southwestern revenue was 32 cents per ton.

Mr. LYON. Revenue?

Mr. WRIGHT. I beg your pardon; service cost, 32 cents per ton to Bluff City and 12 cents per ton to Big Stone Gap.

Mr. THOM. What do you mean by "service cost"?

Mr. WRIGHT. That is the statement here. I imagine that is the cost of handling freight over the Virginia & Southwestern Road, possibly without the overhead.

Mr. THOM. Where did that come from?

Mr. WRIGHT. The Department of Justice turned it over to us. I think they got it out of the Southern Railway files.

The loss on February business to the Virginia & Southwestern Railway was $1,434.20 where that business originated in the Norton block of the Interstate Railroad.

The business from the Stonega block consisted of 562 cars of coal and coke destined to Bluff City, and paid the Virginia & Southwestern in gross revenue, $9,667.58. It cost the Virginia & Southwestern from Appalachia to Bluff City, 32 cents per ton; to Bristol, 28 cents per ton; to Gate City, 17 cents per ton; Big Stone Gap, 17 cents per ton; to Elizabethton, 37 cents per ton, making a total cost of $7,562.45, and leaving a profit to the Virginia & Southwestern on the February business originating in the Stonega block of $2,105.15.

The cost for delivery of the Stonega block coal and coke at Appalachia, under the original agreement, was 10 cents per ton, or $1,837.20, while the cost for delivery at Appalachia under the agreement of January 29, 1909, according to this statement, was $1,769.14, showing that the new arrangement decreases the cost in the Stonega block for a month, $68.06.

The CHAIRMAN. Let me see if I understand that. It did not cost any more to haul the coal from Norton to Appalachia than it did from the Stonega, did it? Your contention is that there was a difference in the contracts or the division of the earnings?

Mr. WRIGHT. There was a change.

The CHAIRMAN. And a more favorable contract with the Stonega people than the Norton allowed?

Mr. WRIGHT. No.

The CHAIRMAN. How is it, then, that on this 55 cars they would lose money, and on 500 cars they make money?

Mr. WRIGHT. There are two blocks of the Interstate Railway; one is the Stonega block, producing great tonnage, and the other is the Norton block which produces only 55 cars in that month. Now, that block has a lot of tracks in it which have a high interest charge on them, which produced a high interest charge per car or per ton because of the light tonnage. Probably as that contract grows older, the business increases and more mines open up there, that would in time reach the other basis.

The CHAIRMAN. The overhead charges was what made the difference?

Mr. WRIGHT. Overhead charges strictly.

Mr. LYON. Now, Mr. Wright, then it is a fact that although it is a very great hardship, with the Norfolk & Western to provide $1.40 for handling export coal through Norfolk, by moving the coal to Norton over the Virginia & Southwestern from Black Mountain and the Interstate field or the Stonega field, yet these carriers publish the $1.40 rate and make that very division in moving export coal through Charleston?

Mr. WRIGHT. They do.

Mr. LYON. Do you know whether it is a fact that not only the $1.40 rate divided in passing through Appalachia and the Southern Railway, as you here described, is it not divided on some similar basis in passing through the junction of the Norfolk & Western with the C., C. & O. through Charleston?

Mr. WRIGHT. It is the same arrangement and division which, in fact, exists with both carriers.

Mr. LYON. In other words, the Carolina, Clinchfield & Ohio and the Southern Railway have to shrink that $1.40 rate by at least 10 cents, and in some cases much in excess of that, in reaching Charleston?

Mr. WRIGHT. They do.

Mr. LYON. Mr. Wright, are you advised as to the ownership by railroads of coal lands or interests in coal lands that export coal?

The CHAIRMAN. Repeat that question.

Mr. LYON. Are you acquainted with the facts as to the ownership of coal lands by railroads that export coal? And if so, state what information you have on that subject.

Mr. WRIGHT. The roads that carry coal to tidewater for export, I take that to mean?

Mr. LYON. Yes; and, of course, it naturally covers coal carried for other purposes, but I was here talking largely for the export matter.

Mr. WRIGHT. Yes; the situation is approximately as follows:

The most northern coal field participating in the export coal business is in Clearfield and Jefferson Counties, Pa., controlled principally by the Buffalo, Rochester & Pittsburg road.

The CHAIRMAN. You mean that railroad owns coal fields?

Mr. WRIGHT. No; I mean that district is served by the Buffalo, Rochester & Pittsburg, and through two holding companies, the Jefferson & Fairfield Coal & Iron Co. and the Rochester & Pittsburgh Coal & Iron Co., controlled by the Iselin interests, as the railroad is, the land is controlled. This carrier has a mileage comprising 500 miles of track and originates per annum 8,000,000 tons of coal, which is very close to that originated by the Southern Railway with its 8,000 miles of track, and it does a very large business in connection with the New York Central and Reading through the port of Philadelphia, both up and down the coast. The Iselin interests there, in addition to the Rochester & Pittsburgh and Jefferson & Clearfield, control the Pittsburgh Gas Coal Co. and Cowanshannock Coal & Coke Co., and the total output of the Iselin interests is about 5,000,000 tons per annum. They are very enterprising people, and are to-day supplying the Florida East Coast Railroad with the fuel for the operation of its locomotives in Florida, boating it down the coast to Key West, Jacksonville, and Mayport.

Mr. LYON. That first moves to Philadelphia, does it?

Mr. WRIGHT. It moves over the Buffalo, Rochester & Pittsburg to Clearfield, the New York Central to Newberry Junction, the Philadelphia & Reading to Philadelphia.

Mr. LYON. Then it moves to Philadelphia by rail?

Mr. WRIGHT. It takes a rate of $1.25 per gross ton for that distance, which is approximately 350 miles. It is then boated down to the Florida coast. Mr. Iselin is a director in the Southern Railway and has been for many years.

The next adjoining territory is that served by the New York Central & Hudson River Railroad. The Clearfield Bituminous Coal Corporation and one other large company own a great deal of the land and produce a great deal of coal. The New York Central owns the stock of one of the mining companies outright, but does not permit the coal to enter the commercial market, using it for fuel of its locomotives. It owns stock in the other company, but not to any large extent.

The next territory south is the Clearfield district, served by the Pennsylvania Railroad, which line has no direct interest in any coal companies, but probably owns, through its land-holding company, the Manor Land Co., some interests in unimproved lands which are not producing coal.

The CHAIRMAN. But those lands are coal lands?

Mr. WRIGHT. They are coal lands. I assume they were not acquired as such. The Manor Land Co. is the real estate company of the Pennsylvania Railroad Co. and owns property everywhere. We

are going into that deeper and show the exact acreage of coal-bearing lands included in the holdings of the Manor Land Co.

Mr. LYON. Did I understand you to say the Pennsylvania Railroad Co. is not interested in coal mines on its rails?

Mr. WRIGHT. As such it is not. I am coming to that.

Mr. LYON. You mean by that that it does not appear of record that the Pennsylvania Railroad Co. owns and operates coal mines as the Pennsylvania Railroad Co. on its own rails?

Mr. WRIGHT. It does not. The large companies in that district are the Berwind-White Coal Mining Co., the Keystone Coal & Coke Co., the Jamison Coal & Coke Co. The Berwind-White Co. does the largest export business of any coal organization in America.

Mr. LYON. In that export business it is not limited to the mines on the Pennsylvania Railroad?

Mr. WRIGHT. Not at all. I might describe the Pennsylvania, beginning at the northern end and working south. They control the Harsimus Coal Pier of the Pennsylvania Railroad at Jersey City and have for many years, and they have an impregnable position in the bunker business in New York Harbor, which probably last year equaled 6,000,000 tons of coal.

Mr. LYON. Explain what you mean by the Harsimus Cove Pier and what the pier is—who it is owned by.

The CHAIRMAN. I think that is explained in the record, Mr. Lyon. Unless you have a different understanding from Mr. Dulaney, I see no object for going into that.

Mr. LYON. All right.

Mr. WRIGHT. May I go into the distribution of the Berwind-White Coal Co. from the Pennsylvania territory to the south, for example?

Mr. LYON. Yes.

Mr. WRIGHT. The Berwind-White Coal Co. ships principally to Baltimore and Philadelphia.

Mr. LYON. Go down the line first, and then come back to the Berwind-White people, because they own, as I understand, operations on all these carriers.

Mr. WRIGHT. You want me to describe the location?

Mr. LYON. Yes.

Mr. WRIGHT. I want to say there is no relation officially between the Berwind-White Co. and the Pennsylvania Co. that can be ascertained. There are interlocks in the directorates, and the chart of those interlocks is in preparation. Next adjoining the Berwind-White Co. are the Jamison Coal & Coke Co. and the Keystone Coal & Coke Co. Mr. Berwind appears as an owner of 10,000 shares of Jamison stock, and his brothers and his partners have other amounts, making slightly less than a majority. Mr. John Jamison, of Greensburg, Pa., and his brothers have the majority of the stock. The company has an output of upward of from 2,500 to 3,000 tons a day, going to the Pennsylvania Railroad for locomotive fuel, and in addition to that has a large commercial business and coke business. The Keystone Coal & Coke Co. is the Cassatt estate and the estates of several other Pennsylvania officials who have long since passed away.

Mr. LYON. Who was Mr. Cassatt?

Mr. WRIGHT. Mr. A. J. Cassatt was the president of the Pennsylvania Railroad. The Keystone Co. mined about 2,800,000 tons of coal

last year, 2,100,000 tons of which went to the Pennsylvania Railroad, the Boston & Maine, and the New York, New Haven & Hartford as locomotive fuel. The next road south is the Baltimore & Ohio Railroad, which, through a system of notes running for 30 years, sold certain stock of the Consolidation Coal Co., of Baltimore and New York, which has about 80 mines and is probably the largest producer, with the exception of the Pittsburg Coal Co., of all-American companies.

Mr. LYON. Was that company's stock at one time owned by the Baltimore & Ohio outright.

Mr. WRIGHT. It was owned outright in 1907. It was sold to Mr. Clarence Watson and his partners on their notes, running 30 years, containing the proviso that payment could not be anticipated and the coal traffic of that company should remain with the Baltimore & Ohio during the life of the notes. That is the relation to-day, so far as we can gather.

Mr. LYON. That transaction took place in about 1907?

Mr. WRIGHT. About 1907.

Mr. LYON. Was there a law passed by the United States forbidding the ownership of property shipped over the railroads by the railroads in 1906, known as the commodity clause?

Mr. WRIGHT. There was.

Mr. LYON. And this arrangement came out the year after?

Mr. WRIGHT. And is still effective.

Mr. LYON. I understand the Baltimore & Ohio retains absolute control for the transportation of that coal for 30 years from that date?

Mr. WRIGHT. During the life of the notes, which run about 30 years from that date.

Mr. LYON. And can not be anticipated?

Mr. WRIGHT. And can not be anticipated. One of the next largest interests in the field is the Elkins interest, the estate of Senator Elkins, owning the Morgantown & Kingwood Railroad, which furnishes the outlet for their coal lands and mines at Masontown, Bretz, and Morgantown. The estate, as I understand it, holds the stock of the Morgantown & Kingwood Railroad and the stock of the coal company, which are legally divorced. The Consolidation Coal Co. has, in recent years, absorbed the Fairmont Coal Co., which leaves really one important unit in that territory. The relative output of the Elkins property is very small alongside that of the Consolidation Co. On the Western Maryland, in the same territory, at the headwaters of the Potomac River, the bulk of the coal production comes from the mines of the Davis Coal & Coke Co., which is the same interest as the Western Maryland Railroad.

Mr. THOM. Is the Consolidation Coal Co. a different company from the Consolidated Coal Co.?

Mr. WRIGHT. I do not know of the latter sir. I only know of the Consolidation Co. It must be a very small company. The Davis Coal & Coke Co. is owned by the Gould estate, the Deutsche Bank, Winslow S. Pierce, and the other interests connected with the Western Maryland Railroad, and it is practically the carrier controlling the coal traffic. Connected with those two roads, eastbound, is the Coal & Coke Railway, owned by Senator H. G. Davis.

Mr. LYON. Mr. H. G. Davis owns these coal mines in his own right?

Mr. WRIGHT. That is my understanding. The Davis Collieries Co. owns the mines and he owns that stock and the stock of the Coal & Coke Railway, the carrier serving it.

Mr. LYON. And he is simply an individual owning stock in the two separate business corporations, the Davis Coal & Coke Co. and the Coal & Coke Railway?

Mr. WRIGHT. Our investigation develops that fact. The next road south is the Chesapeake & Ohio Railroad, which serves the New River and Kanawha districts of West Virginia and reaches tidewater at the port of Newport News. The Chesapeake & Ohio Railroad has no interest in any coal lands, unless its stock in the Western Pocahontas carries such. The Chesapeake & Ohio owns the Maben-Hotchkiss tract, about 36,000 acres of land, which is not improved.

Mr. LYON. Is it coal-bearing land?

Mr. WRIGHT. Very fine coal, and I was told by Cheasapeake & Ohio officials that it was originally purchased to supply their own locomotives and is still held unimproved for that purpose. The Chesapeake & Ohio Railway serves the Kanawha District and has a line into Logan County from Barboursville, W. Va., which parallels the Norfolk & Western's main line between Williamson and Kanawha. This branch of the Chesapeake & Ohio serves many of the independent operations and gets a large tonnage from the mines of the Island Creek Coal & Coke Co., of Holden, W. Va., which company is controlled by the banking firm of Haydon, Stone & Co., Boston, Mass., which company is active in the management and control of important coastwise steamship lines, several of which have on their directorates the name of E. J. Berwind of the Berwind-White Coal Co.

Mr. THOM. I do not suppose that it is of any consequence, but the witness is talking about the ownership of properties and who is interested in this property and that. Is his knowledge on this subject precise, or how does he get it?

Mr. LYON. Can you not develop that on cross-examination?

The CHAIRMAN. Suppose you develop it now.

Mr. WRIGHT. I will be glad to tell. We have, through the chairman of the Naval Affairs Committee and the subcommittee requested information from every coal company of any magnitude, and my statement is based on these reports.

Mr. THOM. They may have been open to the other side, but none of that has been presented to us. We have been given no access to all this information that has been gotten.

Mr. LYON. That does not affect his knowledge.

Mr. THOM. I do not think it is any knowledge.

Mr. LYON. Possibly not.

The CHAIRMAN. It is an admission, anyway. Possibly it might not be admissible under the strict rules of evidence. I suppose he is testifying from his knowledge gained from that source?

Mr. THOM. I supposed that this was an investigation and the information gotten in the course of it was open to the people participating. This is a vast lot of information that has been obtained which we are hearing of for the first time, we know nothing of it and have had no opportunity to examine it.

The CHAIRMAN. I see no objection to allowing Mr. Thom to cross-examine him on it, or Mr. Thom can have the papers to look over that this witness has already examined.

Mr. LYON. I never heard of those before. I do not know anything about them, or where he got his information, but aside from that information which you have gathered that way, Mr. Wright, you have devoted pretty much all of your life to a study of the coal situation?

Mr. WRIGHT. I have given it thought for quite a long time, such as I could.

Mr. LYON. And as a matter of fact you are interested in coal lands in the Black Mountain district, are you not?

Mr. WRIGHT. I am.

Mr. LYON. And you have, in various capacities, been connected with concerns that use large quantities of coal?

Mr. WRIGHT. I am and have been.

Mr. LYON. And your information, gathered from those various sources, is what you are giving the committee the benefit of?

Mr. WRIGHT. That, and the direct positive information secured by the committee.

Mr. THOM. How did you get access to that?

Mr. WRIGHT. I handled it for the committee.

Mr. THOM. In what capacity?

Mr. WRIGHT. As their advisor and collector of the information.

Mr. LYON. I would like to state to the committee this matter has been referred to several times. I think it is well known that Mr. Wright is serving the committee. I have made Mr. Wright a witness of Mr. B. L. Dulaney and Mr. Wright is using information which is in the hands of the committee. There is a continual implication here, it seems to me, that there is some impropriety in my using Mr. Wright as my witness, and if so, we would like to know, because I do not want the attorney of Mr. Dulaney to do anything that is improper. I thought this information was before this committee and accessible to either side. Personally I have never seen what Mr. Wright refers to and personally I did not know that he had ever called for it. However, I do not like this personal implication that some impropriety exists. I thought these were public matters and not secret?

The CHAIRMAN. Mr. Wright was employed by Senator Tillman, the chairman of the Committee on Naval Affairs, and authorized to make an investigation for it.

Mr. LYON. All this information is public, it is open to everybody, is it not?

The CHAIRMAN. Mr. Thom or anybody interested can get it and examine it. I have never seen it myself.

Mr. LYON. I have not seen it. I have seen some portion of it. I have some statement you gave on yesterday from Mr. Harrison, but I have not seen one one-hundredth of what Mr. Wright refers to.

Mr. WRIGHT. The Virginian Railway serves the New River field in competition with the Chesapeake & Ohio Railway and reaches Tidewater at Sewell's Point, near Norfolk, Va. The Virginian Railway stock is held by the corporation called the Tidewater Co.

The CHAIRMAN. That is the company to which Mr. Dulaney referred, I suppose. I want to find out if it is the same company. Is it the Tidewater Bituminous Steam Coal Traffic Association?

Mr. WRIGHT. No, sir; that is a statistical bureau.

The CHAIRMAN. What tidewater company are you referring to?

Mr. WRIGHT. The holding company for the holding of the stock in the Virginian Railway for the benefit, as I understand, of the estate of Henry H. Rogers, of New York. It is a Norfolk, Va. corporation, and probably Judge Thom would know more about it than all of us.

The CHAIRMAN. Where is the New River coal field?

Mr. WRIGHT. That is in Fayette County, W. Va.

Mr. LYON. On what railroad?

Mr. WRIGHT. On the line of the Chesapeake & Ohio and Virginian Railway.

The CHAIRMAN. Does the Virginia Railway run through these fields to Norfolk?

Mr. WRIGHT. Yes, sir; and has no connection that we can find with the ownership of coal lands. The Norfolk & Western Railway connects the Pocahontas coal field south of and practically adjoining the New River district, with the port of Norfolk, Va. I will put in evidence the Norfolk & Western's own map showing coal lands which it owns through the Pocahontas Coal & Coke Co.

Mr. LYON. I suggest that this map be filed with the committee, but not printed.

Mr. RIXEY. Do I understand you to say that that map shows the coal lands owned by the Norfolk & Western Railway?

Mr. WRIGHT. Through the Pocahontas Coal & Coke Co., I said.

Mr. LYON. I will get you to explain that. Those lands there are owned by the Pocahontas Coal & Coke Co.?

Mr. WRIGHT. There are approximantely 290,000 acres.

Mr. LYON. Explain to the committee what you meant by the statement, "owned by the Norfolk & Western Railway Co. through the Pocahontas Coal & Coke Co."

Mr. WRIGHT. I will quote from the eighteenth annual report of the Norfolk and Western Railway Co. for the fiscal year ending June 30, 1914. The balance sheet of the Pocahontas Coal & Coke Co. under date of June 30, 1914, shows the control of the Pocahontas Coal & Coke Co. by ownership of 9,986 shares of capital stock, out of a total of 10,000 shares. Property investment, real estate, $20,370,508. Other items, personal property, accounts received, cash, profit and loss——

The CHAIRMAN. You have already answered the question.

Mr. WRIGHT. The capital stock of the company is $1,000,000. The Norfolk & Western Pocahontas Coal & Coke Co., joint 4 per cent bonds, due December 1, 1941, $17,982,000. Norfolk & Western Railway Co. advances for property, expenditure $1,391,000; advances for mortgage bond interest, $2,066,000. Pennsylvania lines west of Pittsburgh advances for mortgage bond interest, $1,033,000. There are other small items, accrued liabilities, vouchers, and accounts payable. The report of the operations of the Pocahontas Coal & Coke Co. appears in the Norfolk & Western's annual report, page 15.

The CHAIRMAN. I think you have shown what is meant by saying that the Norfolk & Western owns the coal company. You said they owned 9,986 shares of stock out of 10,000 shares. That has answered the question.

Mr. LYON. If Mr. Wright has anything further, I would like for him to have opportunity to state it?

Mr. WRIGHT. I think the Norfolk & Western Railroad, not being represented here, is due this explanation. They leased this land at 5 cents per ton to some 44 or 45 operating companies which are legally separate and in most cases commercially separate from the Norfolk & Western Railway.

Mr. LYON. Why do you say most cases?

Mr. WRIGHT. Because there are some 1,000-acre leases, opened in 1888, mostly by men from the hard coal region of Pennsylvania, who came down there with the opening of the coal region and they and their descendants are running those businesses separately from the railroad company.

Mr. LYON. Do you mean that the Norfolk & Western Railway Co. is running any of these corporations on its own responsibility?

Mr. WRIGHT. I know they are not. The United States Coal & Coke Co. has, by far, the largest lease. That is a subsidiary corporation of the United States Steel Corporation and is the largest westbound shipper. Judge Gary, of the United Steel Corporation undoubtedly is the controlling spirit in the United States Coal & Coke Co. and Mr. Frick, of the Steel Corporation, is a director and a power in the Norfolk & Western Railway. That will also be answered by our exhibits showing interelocking directorates.

Mr. LYON. You say Mr. Frick is a controlling power in the Norfolk & Western?

Mr. WRIGHT. He is shown in this report as a director. The following men are on the board of directors: Joseph I. Doran, Philadelphia; Victor Morawetz, New York; Walter H. Taylor, Norfolk; John P. Green, Philadelphia; L. E. Johnson, Roanoke, Va.; William G. Macdowell, Philadelphia; H. C. Frick, Pittsburgh; Joseph Wood, Pittsburgh; W. W. Atterbury, Philadelphia; N. D. Maher, Roanoke; M. C. Kennedy, Chambersburg, Pa.

Mr. Frick, Mr. Wood, Mr. Atterbury, and Mr. Kennedy represent the Pennsylvania Railroad interests in the Norfolk & Western Railroad, and the Pennsylvania Railroad, by the last report owned a little over 50 per cent, a clear majority, in the Norfolk & Western Railroad.

Mr. LYON. Are any of those parties interested in the United States Steel Corporation?

Mr. WRIGHT. Mr. Frick is one of the largest stockholders in the United States Steel Corporation.

Mr. LYON. Is he a director?

Mr. WRIGHT. For this year I am not positive whether he is. He has been.

Mr. LYON. There has been a considerable shifting of directors between the railroads and the industrials within the last year, has there not?

Mr. WRIGHT. There has. I would like to add, Mr. Chairman, that the Norfolk & Western annual reports for this year and last year do not quote the exact tonnage upon which the Pocahontas Coal & Coke Co. collected royalties, but their report for 1912 shows that over 10,000,000 tons of coal were mined out of their land, and that comprised about 55 per cent of the coal tonnage of the Norfolk & Western

Railway. The tonnage of the railroad supplied from the Pocaho tas Coal & Coke Co.'s lands this year is in the ratio of about 52 p cent.

Mr. LYON. I notice on page 32 of this annual report of the No folk & Western Railroad for the year ending June 30, 1914, a ref ence to the Pocahontas joint 4 per cent bonds. What do you und stand is meant by joint bonds in that connection?

Mr. WRIGHT. The United States Steel Corporation interests own a large portion of that coal land and the Norfolk & Western Ra road signified its desire to take it over.

Mr. LYON. About when was that?

Mr. WRIGHT. About 1906, I think, but it is in the record. That too late. It would be 1903 or 1904.

Mr. LYON. At that time the Steel Corporation owned these la of the Norfolk & Western?

Mr. WRIGHT. I said the Steel Corporation interests. The Norf & Western desired to take them over, and they paid for them in bo of the Pocahontas Coal & Coke Co., guaranteed as to principal by Norfolk & Western Railroad, and guaranteed as to interest by Norfolk & Western Railroad and the Pennsylvania lines west Pittsburgh, which will explain the credit side of that balance sh and advances from both of those railway companies to meet the in est charges on those bonds of the Pocahontas Coal & Coke Co. other feature of the trade was the lease of a great deal of that l by the United States Steel Corporation, through its subsidiary, United States Coal & Coke Co. The record of Macdowell Cou W. Va., shows that contract and mortgage, and it contains the obl tion for the lessee to build 4,000 coke ovens. I think that also a of that trade was the construction of a lot of special cars, by Pennsylvania Lines and Norfolk & Western, to deliver the pro of those 4,000 coke ovens at South Chicago, Joliet, and Gary, the movement has been one of the great traffic movements of country. The coke business has disappeared by reason of the ch in the manufacture of coke, which is now made in the by-pro ovens at the steel plant, and it is strictly—almost entirely—a movement, one of the largest on the Norfolk & Western, and plants in the West—Joliet, South Chicago, and Gary—an think the plant at Worcester, Mass., secure their fuel from the l covered by these leases.

Mr. LYON. Now, coming back to my question. What interest the Pennsylvania Railroad Co. in the coal lands on the Norfo Western?

Mr. WRIGHT. The Pennsylvania Railroad owns a majority o stock of the Norfolk & Western Railway; it owns 9,986 shares o 10,000 shares, of the Pocahontas Coal & Coke Co., which hold deeds to the real estate.

Mr. LYON. Then the interest of the Pennsylvania Railroad in lands on the Norfolk & Western Railway comes through its ow ship of the Norfolk & Western Railway?

Mr. WRIGHT. It does.

Mr. LYON. Does that account for the fact, which I see by report, that the Pennsylvania lines advanced over $1,000,000 to the mortgage bond interest on leases on the Pocahontas Coal & Co. property?

Mr. WRIGHT. The royalties do not meet the interest on the bonds, the reason being that relatively the small portion of the 290,000 acres is developed. They are carrying the capital charges on the entire land with the royalties out of certain mines. The deficit is met by the Pennsylvania lines west of Pittsburgh, which is a subsidiary of the Pennsylvania Railroad. The Norfolk & Western meets its share of the deficit.

Mr. LYON. Then I understand these two railroads got together, and own these lands—that is, the Pennsylvania Railroad, the Norfolk & Western—and leased them to people at such low rates that they can not meet their mortgage interest, and then take the money earned as railroads from other shippers along this line, competing with coal mines to pay the deficit produced?

Mr. WRIGHT. I assembled that differently.

Mr. LYON. Can you answer my question?

Mr. WRIGHT. The royalty rate is not a low rate—it is to-day for that high-grade coal; it was fixed by the Norfolk & Western coal land interests in 1883 and has never been changed. It is 10 cents per ton and it is too small for coal of that character. The Steel Corporation got their lease on the same basis, undoubtedly too small, but it was the same figure. It was in all the surrounding land. The transaction is out of balance by reason of the railroad capital being invested in the large acreage of undeveloped land for the purpose of controlling that forever. The royalties from the development of a portion can not possibly carry that control speculation and therefore the treasury of the carrier has to put up the deficit, from any source of receipts which it has.

Mr. LYON. Those railroads own this land. That is a fact, is it not?

Mr. WRIGHT. They do.

Mr. LYON. And they lease some portion of it to operators. That is a fact, is it not?

Mr. WRIGHT. They do.

Mr. LYON. The money paid by those operators is not sufficient to pay the interest on the mortgage indebtedness on the Pocahontas Coal & Coke Co.?

Mr. WRIGHT. That is true.

Mr. LYON. Where do those railroads get the money to pay this deficit in the interest on the bonded indebtedness?

Mr. WRIGHT. Out of their usual source of income, their freight and traffic collections from the general public.

Mr. LYON. And those freight revenues are, in part, paid by coal operators who are competing with subsidiary coal operators of these railroads. Is not that a fact?

Mr. WRIGHT. That is true.

Mr. THOM. Did I understand you to say that those roads had a pretty considerable coal tonnage from those mines?

Mr. WRIGHT. The Norfolk & Western gets half of its coal tonnage from that land.

Mr. THOM. Taken from its coal haul as well as from its coal mine, it is a remunerative arrangement, is it not?

Mr. WRIGHT. The Norfolk & Western has the lowest rates in the world and they move about 24,000,000 or 25,000,000 tons of coal at

those rates, and have become the most prosperous carrier we have south of the Potomac River. They do that on those very thin rates of $1.40 per gross ton to tidewater, 97 cents per ton to the Great Lakes and $1.70 net, to them, to Gary and South Chicago. These large movements constitute the basis of their revenue and their traffic and they make enough money to pay these deficits out of those rates. If you mean to ask, Judge Thom, if the speculation is a profitable one to the carriers, I should say yes.

The CHAIRMAN. Does any other coal-carrying road own any stock in the Chesapeake & Ohio?

Mr. WRIGHT. The New York Central and Pennsylvania own more than a majority, and reported the sale of it to Kuhn, Loeb & Co. We have not passed that sale.

The CHAIRMAN. When did they report the sale?

Mr. WRIGHT. About the time the commodity clause became effective.

The CHAIRMAN. What about the Virginian Railway?

Mr. WRIGHT. That belongs to the estate of Mr. Henry H. Rogers, of New York.

Mr. LYON. And the stock or bonds of the Virginian Railway, I understand, is held by the holding company?

Mr. WRIGHT. The Tidewater Co., which belongs to the estate of Henry H. Rogers, of New York.

Mr. LYON. And all of the stock of that company is held by the Rogers estate in this manner?

Mr. WRIGHT. That is our understanding.

Mr. LYON. Nobody knows where that stock of the Tidewater Co. is? I mean, at least, you do not know?

Mr. WRIGHT. I do not know.

Mr. LYON. It is stock that could be passed over to those railroads or anyone else?

Mr. WRIGHT. Do you care for my opinion?

Mr. LYON. I am asking you if it could be?

Mr. WRIGHT. It could be. I do not believe that it has. As it stands it still belongs to the Rogers estate.

Mr. LYON. The Steel Corporation has a large operation in this Pocahontas Coal & Coke Co.?

Mr. WRIGHT. They have at Gary, W. Va.

Mr. LYON. How do they get that lease, do you know?

Mr. WRIGHT. It was part of a three-cornered deal covering the purchase of the Ritter coal lands about 1902, by Mr. Isaac T. Mann, of this city, Mr. William Edenborn, of New York, then with the American Steel & Wire Co., and several others whose names I do not now recall. There were three sales, each time at an increase in price, until the Norfolk & Western took it over. Mr. Schwab, then president of the United States Steel Corporation, was well known to be one of the interested parties, Shearson Hamill & Co., of New York, and Judge Gary and others, and the lease you spoke of was a consideration of the last trade.

Mr. LYON. Did you explain what the three-cornered deal was, in detail?

Mr. WRIGHT. No; I can not, but in condensed form it appears in the record of these proceedings and was put in evidence by Mr. Dulaney.

Mr. LYON. It is in the record?

Mr. WRIGHT. Yes. It is one of the most interesting chapters of .merican coal history.

Mr. LYON. These operators along the line of the Norfolk & West-n, independent of the Pocahontas Coal & Coke Co. and the United tates Steel Corporation, are in competition with those interests in ıe selling of coal in the markets of the world?

Mr. WRIGHT. They are. Let me understand that question. Do you ıean in competition with the United States Steel Corporation in the ıllıng of coal in the markets of the world?

Mr. LYON. Yes. They both sell in the open market?

Mr. WRIGHT. No. The United States Steel Corporation is not a ›mpetitor in the open market. If you mean to develop the adverse fect on the coal people of that section, it seems to me to lie in this, ıat in making the rates and in the maintenance of them the Norfolk Western officials are prominent; they represent a company that is ıterested in the coal, and they have a very powerful voice in the .aking of rates, and their voices naturally carry weight in the meet-ıgs when they are discussing the rates of other railroads. There-›re, if the Southern Railway, for example, permitted a Norfolk & Vestern official to influence the making of rates from the Virginia & outhwestern field or the Tennessee mines, the mental process of the orfolk & Western officials, and they are very able and clean people, ould necessarily be in favor of their own coal-land interests.

Mr. LYON. As an illustration, suppose the Black Mountain wanted o get a rate to Norfolk from Norton. There would then be a con-lict of interests on the part of the officials on the Norfolk & West-ırn in determining whether that coal should have that outlet in ›ompetition with its own coal lands on the Norfolk & Western. That s what I understand you to say?

Mr. WRIGHT. The Norfolk & Western Railway would have to con-ider that outside coal competing with its own coals sought a mar-:et over its rails.

Mr. THOM. And if it took that from a point on the Virginia & ›outhwestern, involving a haul up to Norton, for the same price for he whole distance as the Norfolk & Western from Norton, the Nor-olk & Western would be getting less for coal off its own lines than ; would be charging for coal on its own lines.

Mr. WRIGHT. Yes; and performing materially less service.

Mr. LYON. Now, take up the next carrier south.

Mr. WRIGHT. The next carrier south is the Clinchfield—the . C. & O.

Mr. LYON. Has that any relations with coal mines?

Mr. WRIGHT. Legally, no.

Mr. THOM. Has it any illegal relations?

Mr. WRIGHT. Undoubtedly the stock of the Clinchfield road is in ıe treasury of the Cumberland Corporation, which owns the stock ı the coal companies. If I may state what that means in the coal usiness, if I am an official of that company and a rate meeting is ılled for the purpose of discussing competitive coal rates, I am in ıe same position as a Norfolk & Western official; we have an inter-ıt above the traffic interest. It is only human nature for the Clinch-ıld Co., serving almost exclusively the mines owned by the ıme capital interests, to keep the selling people advised as far in

advance as possible of the railroad rate changes. It will be seen in the record on pages 435, 436, and 437 that telegrams and letters passed between Mr. Lincoln Green, traffic manager of the Southern Railway, in January of this year, and Mr. J. J. Campion, the vice president and traffic manager og the C., C. & O. Railway, on the proposition of advancing the Navy rate, the rate on the coal used at the Charleston Navy Yard, which was then moving at $1.40 per gross ton. The effect of the correspondence was to establish a rate of $1.80 a net ton, which is $2.01 a gross ton, advancing the expense to the Navy 61 cents per ton.

The letter of March 26 of Mr. Campion to Mr. Green, shown on page 437, is marked in the corner, "Carbon copy to Mr. L. S. Evans." Mr. Evans was in general charge of the coal sales of the Clinchfield Coal Corporation. Had there been any more coal shippers on the Clinchfield, the advance information to the coal sales agent of the Clinchfield Coal Corporation would have been a hardship on the other shippers. It is a hardship on the shipper on the Virginia & Southwestern Railway, or in the Tennessee district, or on the Norfolk & Western, for example, or any of the roads that put coal into Charleston in competition with the Clinchfield. Correcting—Those companies are legally separate; there is no relation except in the holding company, the Cumberland Corporation. They became involved with the Equitable Life Assurance Co. through borrowing some capital to complete the Clinchfield road, and when Mr. Ryan purchased the Equitable and then turned it over to Mr. J. P. Morgan Mr. Morgan became the principal creditor of the C., C. & O. Railway Co., at a time when he was voting trustee of the Southern Railway Co., and the competition between the two worked back to Mr. Morgan.

Mr. LYON. In other words, Mr. Morgan controlled the money the C., C. & O. wanted or had borrowed, and was a voting trustee in the Southern Railway at the same time?

Mr. WRIGHT. He did.

Mr. LYON. And are the Morgan interests influential in the Norfolk & Western and the Pennsylvania?

Mr. WRIGHT. I can not say as to that to-day. That is another subject which will be specially reported on.

Mr. LYON. Is the Pennsylvania known as a Morgan line?

Mr. WRIGHT. No.

The CHAIRMAN. What is the Cumberland Corporation of which you speak?

Mr. WRIGHT. Why, the Cumberland Corporation is a holding company owning the stock of the Carolina, Clinchfield & Ohio Railway, the Clinchfield Coal Co., and possibly the Clinchfield Fuel Co., the selling organization of the Clinchfield Coal Co. The president of the railway company is sitting opposite me, and he will correct me, I hope, if that statement is not correct.

The CHAIRMAN. Where are the Clinchfield mines?

Mr. WRIGHT. At Dante, Va.

Mr. POTTER. At the proper time a very radical correction will be made.

Mr. WRIGHT. I wish you would make the record straight now.

Mr. POTTER. The Cumberland Corporation has no interest in the Cumberland Coal Co., and has not had for three years. Mr. Morga

has never controlled the coal company or owned any considerable securities, nor has the Equitable Life Insurance Co.

Mr. WRIGHT. I do not state that. May I use that information in correcting this record now?

The CHAIRMAN. Yes.

Mr. WRIGHT. The Cumberland Corporation has had no relations with the Clinchfield Coal Co. for three years, as stated by Mr. Potter, president of the C., C. & O. Railway, here present.

Mr. LYON. Mr. Potter, do you mean by that that there is no common interest between the coal company and the Clinchfield road?

Mr. POTTER. I mean that statement as I have said before in letters that Mr. Wright has. The Cumberland Corporation owns no interest in the coal company. The gentlemen who owned the control of the Cumberland Corporation also individually owned the control of the Clinchfield Coal Co. That entire transaction was explained months ago in letters to Mr. Wright, and to him in person.

Mr. WRIGHT. I would like to go further and state that that has been testified to by the C., C. & O. Railway people before the Interstate Commerce Commission this year and is a matter of record and fact there.

Mr. LYON. You are through with the C., C. & O.?

Mr. WRIGHT. Yes.

Senator POINDEXTER. What do you mean by the "coal company"?

Mr. WRIGHT. The Clinchfield Coal Co.

Senator POINDEXTER. Do they own coal fields penetrated by this Clinchfield Railroad?

Mr. WRIGHT. They do.

Senator POINDEXTER. I only asked because I thought probably some information was brought here while I was out.

Mr. WRIGHT. Within three years the stock of the coal company has been distributed to the individuals who own stock in the Cumberland Corporation, and the Cumberland Corporation own stock of the railroad, as I understand it. It is now reduced to the mental processes of those gentlemen. It is legally in correct form.

Mr. LYON. The legal department has been at work, in other words. Now, take up the Virginia & Southwestern or any other road you desire.

The CHAIRMAN. Has not that been pretty thoroughly described?

Mr. WRIGHT. It has, and I do not want to go into it further.

The CHAIRMAN. Is there anything else you want to add to what has been said with reference to it?

Mr. WRIGHT. Only this: As long as Mr. McHarg is a director in the Virginia & Southwestern Railway and has an official voice in its policy, the same situation arises at the traffic meetings where rates are being discussed as in the case of the Clinchfield and the Norfolk & Western. The Louisville & Nashville Railroad, until the commodity clause was passed and investigation was begun by the Interstate Commerce Commission, owned the Louisville Property Co., which had 41,000 acres of land in southeastern Kentucky, beginning about 7 miles west of Middlesboro.

The CHAIRMAN. You mean coal-bearing lands?

Mr. WRIGHT. Coal-bearing lands. This land is served by the Cumberland Valley division of the Louisville & Nashville, and, I think,

also has access to the Southern Railway. Part of the land, I know, has. The Louisville & Nashville Railroad distributed the stock of that company, as Mr. Potter's company did, to individuals who held stock in the Louisville & Nashville Railroad and it is again a case of the mental processes of the individual.

Mr. LYON. Have you finished with that?

Mr. WRIGHT. Yes; the balance is the Southern Railway, which has been mentioned in this record. Col. Thom, I think, explained the situation there.

Mr. LYON. Yes; they have no interest in the coal mines, if I understand the testimony.

Mr. WRIGHT. None that are active at all. There may be some little mines in Alabama on the lands that they formerly owned, but whether they own them now or not, or whether those lands are mentioned, I do not know. I do not believe that the Southern has that relation.

Mr. LYON. As I understand your testimony, all these railroads extending from the Great Lakes to the South are more or less, directly or indirectly, through actual ownership, through interlocking corporations or the interest of individuals, interested in coal mines and in coal shipments where there are rails to the consumers.

Mr. THOM. I understood him to say that the only really independent road was the Southern; that it did not have any interests whatever.

Mr. LYON. The question must have been misunderstood. I meant to say all except the Southern. That was the purpose of my question. Let us put it, "except the Southern Railway." Is not that true?

Mr. WRIGHT. It is true.

Mr. THOM. You mean the Virginia & Southwestern and the Southern?

Mr. LYON. No; I think that Mr. McHarg being interested in that——

Mr. THOM. That he can outvote the rest of the directors?

Mr. LYON. Yes; I think he can.

Mr. WRIGHT. I have already stated that Mr. Adrian Iselin, jr., who has been a director of the Southern Railway for many years, has one of the largest coal mining and shipping businesses in this country, on the line of Buffalo, Rochester & Pittsburgh Railroad, which he controls.

Mr. LYON. I wanted to say that all the railroads from the Great Lakes to the South handling this coal, with the exception of the Southern, are interested either directly or indirectly in coal shipments over their rails.

Mr. WRIGHT. You said "more or less" before, and that is the question I am referring to. They are.

Senator POINDEXTER. Let me ask you this question, if you please: What deduction do you make, bearing on the question of this resolution, from the joint control of the coal company referred to a minute ago and the Clinchfield Railroad? What application of that do you make here? I noticed the Clinchfield Railroad is dependent upon the Southern for any extensive market for coal carried over its lines. Is it not?

Mr. WRIGHT. It is.

Senator POINDEXTER. So that if the people who control that are interested in shipping coal over it the Southern would participate in that shipment, would it not?

Mr. WRIGHT. It would.

Senator POINDEXTER. Probably Mr. Lyon can explain now what that bears on.

Mr. LYON. The purpose of this question is this: All these carriers have an influence in making the rates to tidewater and to the consumers, and all of them, except the Southern, are interested in the coal lands along the rails.

Senator POINDEXTER. You contend that the Southern does not get a fair share of the joint shipping rates over the Clinchfield line?

Mr. WRIGHT. Not particularly as to the Clinchfield.

Senator POINDEXTER. I am asking about that in particular. I understand the point as to the others.

Mr. WRIGHT. The Clinchfield makes a little different proposition, because it is down in this southern country. I think probably, as to the Clinchfield, the Southern Railway gets the best of it, but I do not know how that is. But it is more with relation to the other lines. These lines make the rates to tidewater and make the rates to the West, and they are interested in the coal lands, while the Southern Railway is not. It has been developed here that the voting trustees and directors of the Southern Railway—up to the introduction, I believe, of Mr. Alderman and a bishop down in North Carolina—were interested in the Southern Railway and were also interested in other mines.

The CHAIRMAN. I suppose you have ready to introduce into the record a statement as to who were the directors prior to the meeting to which you have referred?

Mr. LYON. Mr. Wright, will you introduce into the record at this time or later the directors, either at this time or prior to October 14, 1914, meeting of the stockhelders?

Mr. WRIGHT. Here are the proceedings of that stockholders' meeting.

The CHAIRMAN. It shows who was elected. Does it show the old ones, too?

Mr. WRIGHT. I do not believe it does.

The CHAIRMAN. Will you have that for us in the morning?

Mr. WRIGHT. Yes, sir.

Mr. LYON. Now, Mr. Wright, you understand that in 1906 the United States passed a law forbidding the railroads to have any interest in property shipped over their lines, known as the commodities clause? Is that correct?

Mr. WRIGHT. It is.

Mr. LYONS. And from the résumé which you have made here of the railways extending from the Great Lakes to the South, it is evidently the honest purpose, is it not, of the legal departments of these railroads to comply with the laws of the United States by separating the railroads from the ownership of the coal lands?

Mr. WRIGHT. It is.

Mr. LYON. Do you think, as a practical matter, as to its effect upon the independent coal operator, that they have been very successful

in their efforts? I mean as a practical matter is the independent coal operator to-day in any relatively better position competing with the indirect coal lands of the railroads than he was prior to 1906?

Mr. WRIGHT. No.

Mr. LYON. The practical situation is very much as Mr. Potter has outlined it here; the legal tangle is straightened out, but the practical ownership is the same?

Mr. WRIGHT. That regulation has been defeated.

Mr. LYON. And what you have outlined here is the method that has been adopted for that purpose?

Mr. WRIGHT. That is.

Mr. LYON. If the committee please, it is about 5 o'clock. I have only a few more questions, and I think if they could be put off until to-morrow I could finish in 15 minutes.

The CHAIRMAN. Very well.

(Thereupon at 4.55 o'clock p. m. the subcommittee adjourned to meet Monday, December 14, 1914, at 10 o'clock a. m.)

MONDAY, DECEMBER 14, 1914.

SUBCOMMITTEE ON NAVAL AFFAIRS,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to adjournment.

Present: Senators Nathan P. Bryan (chairman), Charles F. Johnson, William E. Chilton, and Miles Poindexter.

Mr. LYON. Mr. Wright, I believe in the closing of your testimony on Friday you were giving the committee your information as to the ownership of coal lands by carriers carrying coal to tidewater outlets, and among those carriers was the Norfolk & Western, showing its interest in the Pocahontas Coal & Coke Co. Does the Norfolk & Western, together with other coal carriers, have any business in making rates upon coal from the coal fields to tidewater; and if you have any information tending to show that that road's officers, together with officers of other roads, have conferences on that subject, I wish you would state what you know of it and file any letters indicating such conferences which may be in your possession, and inform the committee where the letters were obtained?

Mr. WRIGHT. I will begin with the latest date and work back. I have a letter from the committee's records, dated Roanoke, Va., July 11, 1914, addressed to members of conference of southern railroad presidents, meeting at Richmond June 16, 1914, which reads as follows:

Senate resolution 291. Inquiry of Senator B. R. Tillman, chairman Committee on Naval Affairs.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., June 11, 1914.

To members of conference of southern railroad presidents meeting at Richmond June 16, 1914.

GENTLEMEN: It will be my purpose to bring to your attention at the conference to be held in Richmond on Tuesday the 16th instant Senate resolution

o. 291 and the letter of inquiry of Senator B. R. Tillman, chairman of ommittee on Naval Affairs, dated June 5.

All of the questions asked by Mr. Tillman, except No. 1, is information iat is published in our annual reports or in our reports to the Interstate ommerce Commission, and therefore are public documents now. I assume iere will be no objections to making replies to these questions, but the advisbility of making answer to question No. 1 is one of doubt, and I desire to btain the views of the gentlemen of the conference, and therefore respectfully iggest that this matter be laid before your general counsel for an expression of pinion prior to the conference.

Yours, truly,

L. E. JOHNSON, *President.*

Messrs. Harrison, Kenly, Harahan, Stevens, White, Smith, Winburn, Peyton, 'otter, DePuy, Lamb, Young, Wickersham.

Dictated by Mr. Johnson.
Enclosure: Copy Tillman letter.

The CHAIRMAN. That is addressed to certain railroad officials?

Mr. WRIGHT. All of the railroad presidents in the South.

The CHAIRMAN. Presidents of what roads?

Mr. WRIGHT. To President Harrison of the Southern Railway, President Kenly of the Atlantic Coast Line, President Harahan of the Seaboard Air Line, President Stevens of the Chesapeake & Ohio, President White of the R. F. & P., President Smith of the Louisville & Nashville, President Winburn of the Central of Georgia, President Peyton of the N., C. & St. L., President Potter of the C., C. & O., President De Puy of the Virginian Railway, President Lamb of the A., B. & A., President Young of the Norfolk Southern, and President Wickersham of the Atlanta & West Point Railroad, the Western Railway of Alabama, and the Georgia Railroad.

Exhibit No. 17 is memorandum of conference held at Imperial Hotel, New York, February 17 and 18, 1909, respecting rates on coal from mines on the C., C. & O. Railway at Dante, Va., to Carolina territory.

The CHAIRMAN. Are you going back from 1914 to 1909?

Mr. WRIGHT. I think we had better keep working back from 1914.

The CHAIRMAN. Have you anything between the year 1914 and 1909?

Mr. WRIGHT. I have, sir.

The CHAIRMAN. Well, go ahead and work your own way.

Mr. WRIGHT. I think my way would be better. This memorandum of conference reads as follows:

At New York, February 18, 1909.
File 17936-A.

Memorandum of conference held at Imperial Hotel, New York, February 17-18, respecting rates on coal from mines of the C., C. & O. Ry., at Dante, Va., to Carolina territory, and the relative adjustment to be established from other mining districts in competition with Dante, as well as to discuss the changes required by order of the Interstate Commerce Commission in the case of Black Mountain Coal Land Co. et al. *vs.* Southern Railway Co. et al., Docket No. 1381.

Present: Mr. J. M. Culp, Mr. T. S. Davant, Mr. T. D. Hobart, Mr. E. D. Hotchkiss, Mr. A. P. Gilbert, Mr. J. J. Campion, Mr. C. R. Capps, Mr. S. M. Adsit, Mr. W. E. Allen, Mr. L. Green.

At an informal conference between Messrs. Davant, Campion, and Green at Washington, February 4, Mr. Campion indicated his desire to establish from Dante, Va., to points designated below, the rates stated in column headed

"Clinchfield." The other rates in the following table are the existing r from the points named:

	Coal Creek.	Clinchfield.	ocahontas.	Appal
Spartanburg, S. C.	$1.85	$1.95	$2.65	
Charlotte, N. C.	2.10	2.25	2.45	
Columbia, S. C.	2.10	2.35	2.45	
Augusta, Ga.	2.10	2.35	2.45	
Greenville, S. C.	1.85	2.05	2.65	
Greenwood, S. C.	2.00	2.20	2.65	
Marion, N. C.	1.90	1.90	2.65	
Salisbury, N. C.	2.10	2.30	2.45	
Greensboro, N. C.	2.35	2.30	2.30	
Winston-Salem, N. C.	2.30	2.40	2.30	
Durham, N. C.	2.50	2.40	2.30	
Raleigh, N. C.	2.50	2.30	2.30	
Weldon, N. C.	3.85	2.40	2.30	
Henderson, N. C.	2.75	2.40	2.30	
Oxford, N. C.	2.75	2.40	2.30	

from V. & S. W. mines to points where the differential Appalac over Coal Creek is now less than 25 cents, and by increasing rates.

At said conference Mr. Campion was informed that his proposed basi rates was not satisfactory, and it was suggested that rates from Dante to C lott and points south thereof should not be less than 25 cents above Coal Cr At that time the decision had not been received of the Interstate Comm Commission in the case referred to in the caption of this memorandum.

At this meeting (February 17) the decision of the commission fixi maximum difference of 25 cents between the rates from Coal Creek and rates from Appalachia and Black Mountain districts to Morristown and p on Southern Railway in Carolina territory, including Augusta and Charle was in hand, and Mr. Green announced a desire on the part of the Sout Railway to comply with the order of the commission by increasing the from Coal Creek to the points where the present differential exceeds 25 c indicating, however, that the ability of the Southern Railway to do this contingent upon a determination by Mr. Campion of the rate adjustment v would be established from Dante. That the Southern Railway felt comp to apply from the V. & S. W. fields rates no higher than the rates to be e lished by the C., C. & O. Ry. from Dante.

Mr. Campion advised that his company did not feel that it could adop suggestion made at the Washington conference of maintaining higher rate $2.25 Dante to Charlott and $1.95 Dante to Spartanburg. However, af great deal of discussion, Mr. Campion suggested that we proceed to che rates from various producing points in a tentative way, based on $2.35 Dante to Charlotte, in order that he might see what the general adjust would be on that basis and give consideration to same over night.

Following this suggestion the tentative rates contained in the table l were checked in on the evening of the 17th and forenoon of the 18th.

	Coal Creek.	Clinchfield.	Pocahontas.	Apa
Charlotte, N. C.	$2.10	$2.35	$2.45	
Columbia, S. C.	2.10	2.35	2.45	
Augusta, Ga.	2.10	2.35	2.45	
Spartanburg, S. C.	1.85	2.10	2.65	
Greenville, S. C.	1.85	2.10	2.65	
Greenwood, S. C.	2.00	2.25	2.65	
Clinton, S. C.	2.15	2.40	2.65	
Carlisle, S. C.	2.10	2.35	2.65	
Chester, S. C.	2.15	2.40	2.50	
Camden, S. C.	2.15	2.40	2.50	
Marion, N. C.	1.90	1.90	2.65	
Statesville, N. C.	2.10	2.35	2.45	
Salisbury, N. C.	2.10	2.35	2.45	
Greensboro, N. C.	2.30	2.40	2.30	
Durham, N. C.	2.30	2.40	2.30	
Raleigh, N. C.	2.30	2.40	2.30	

	Coal Creek.	Clinchfield.	Pocahontas.	Appalachia.
Gastonia, N. C	$2.10	$2.35	$2.65	$2.35
Winston-Salem, N. C	2.30	2.40	2.30	2.40
Henderson, N. C	2.40	2.40	2.30	2.40
Oxford, N. C	2.40	2.40	2.30	2.40
Goldsboro, N. C	2.40	2.50	2.40	2.50
Weldon, N. C	.....	2.40	2.30	2.40
Shelby, N. C	2.10	2.35	2.65	2.35
Lincolnton, N. C	2.10	2.35	2.65	2.35
Aberdeen, N. C	2.40	2.40	[1] 2.40	2.40
Sanford, N. C	2.40	2.40	[1] 2.40	2.50
Wadesboro, N. C	2.25	2.40	[1] 2.40	2.50
Lumberton, N. C	2.40	2.40	[1] 2.50	2.50
Maxton, N. C	2.40	2.40	[1] 2.50	2.50
Pembroke, N. C	2.40	2.40	[1] 2.50	2.50
Bennettsville, S. C	2.35	2.40	[1] 2.50	2.50
Cheraw, S. C	2.25	2.40	[1] 2.50	2.50
Marion, S. C	2.35	2.40	[1] 2.40	2.50
Sumter, S. C	2.15	2.40	[1] 2.50	2.40
Orangeburg, S. C	2.15	2.40	[1] 2.50	2.40
Charleston, S. C	1.80	2.05	[1] 2.15	2.05
Wilmington, N. C	2.05	2.05	2.05	2.15
Atlanta, Ga	1.35	1.65	.....	1.65
Athens, Ga	1.90	2.15	.....	2.20
Elberton ,Ga	2.10	2.35	.....	2.40

[1] Including Toms Creek via N. & W.

At the conclusion of this check Mr. Campion indicated that he could not approve the rates or agree to adopt them. Mr. Capps suggested to Mr. Campion that he accept these rates temporarily at least and proceed to publish them, with the understanding that the matter would have further consideration at the hands of executive officers. This Mr. Campion refused to do, but agreed to report to his principals the figures checked in and to advise them fully that it was the unanimous view of the representatives of other lines that said figures as to Dante, represented the minimum figures that other lines felt that the C., C. & O. should establish.

Mr. Capps stated that he could not assume the responsibility for a reduction in rates which appears inevitable in the event the C., C. & O. would not establish higher rate than $2.25 to Charlotte. Therefore he would not agree to join the C., C. & O. in a rate lower than $2.35 to that point, pending review of the matter by his executives.

The meeting adjourned with the understanding that Mr. Campion would give the matter further consideration, conferring with his people during the afternoon if possible, and advise Mr. Capps or myself at the Waldorf during the evening, and in the meantime effort was made to ascertain if the Coast Line and L. & N. could be represented at conference in Washington on Saturday, the 20th instant, for a further discussion of the whole matter, the hope being in the meantime the position of the C., C. & O. could definitely be determined.

(Signed) L. GREEN.

WASHINGTON, 19th.

The CHAIRMAN. Has not that already been put in evidence?

Mr. WRIGHT. No, sir.

Mr. THOM. We do not get much information about what is going on if they just put these in here in this manner.

Senator JOHNSON. Mr. Wright, you say this is a memorandum of conference held. Who supplies this memorandum?

Mr. WRIGHT. This is from the Southern Railway records, as I recall. Did not the man making the memorandum sign his name?

Senator JOHNSON. It is signed "L. Green."

Mr. WRIGHT. Mr. Green is the traffic manager of the Southern Railway. The supplement to that, which is Exhibit No. 18, is dated Washington, February 20, 1909, supplement to memorandum of conference held at Imperial Hotel, New York, February 17–18, respect-

ing rates on coal from mines on the C., C. & O. Ry., at Dante, Va., to Carolina territory. It reads as follows:

At the meeting in New York on February 17 and 18 the Southern Railway indicated its intention to establish the same basis of rates from the Toms Creek district on the V. & S. W. road as from the Black Mountain and Appalachia districts, the rates from the entire V. & S. W. field to be no higher than those established by the C., C. & O. Ry. from Dante.

Exceptions to this basis of rates from V. & SW. field are indicated in the figures contained in the original memorandum of conference.

In checking in the rates at the New York conference it developed that rates from the districts served jointly by the Norfolk & Western and Virginia & Southwestern (Toms Creek and Norton) would, under the basis followed, become lower than the existing rates from Pocahontas, and either necessitate a reduction in the rates from Pocahontas via the Norfolk & Western road so as to make them no higher than rates from Toms Creek via the V. & SW. or an abandonment by the Norfolk & Western to the V. & SW. coal traffic from the Toms Creek district affected by such an adjustment. This condition would be intensified by the adoption of the rates proposed by Mr. Campion. Therefore Mr. Davant announced that, as he did not desire to reduce the rates from the Pocahontas district, he would make the Pocahontas rates from all of the Clinch Valley mines.

L. GREEN.

Copy to Messrs. J. M. Culp, J. J. Campion, T. D. Hobart, T. S. Davant, E. D. Hotchkiss, A. P. Gilbert, C. R. Capps, S. M. Adsit, and W. E. Allen.

Mr. WRIGHT. Exhibit No. 19 is memorandum of conference between Messrs. T. S. Davant, J. J. Campion, and L. Green, Washington, D. C., February 4, 1909, respecting rates on coal from mines on the C., C. & O. Ry. (Dante, Va.). This memorandum reads as follows:

As representative of general adjustment which Mr. Campion proposes to establish from Dante as compared with existing rates from Coal Creek, Pocahontas, and Appalachia, the following tables of rates is inserted:

	Coal Creek.	Clinchfield.	Pocahontas.	Appalachia.
Spartanburg, N. C.	$1.85	$1.95	$2.65	$2.05
Charlotte, N. C.	2.10	2.25	2.45	2.45
Columbia, S. C.	2.10	2.35	2.45	2.45
Augusta, Ga.	2.10	2.35	2.45	2.45
Greenville, S. C.	1.85	2.05	2.65	2.05
Greenwood, S. C.	2.00	2.20	2.65	2.20
Marion, N. C.	1.90	1.90	2.65	2.15
Salisbury, N. C.	2.10	2.30	2.45	2.40
Greensboro, N. C.	2.35	2.30	2.30	2.65
Winston-Salem, N. C.	2.30	2.40	2.30	2.60
Durham, N. C.	2.50	2.40	2.30	2.80
Raleigh, N. C.	2.50	2.30	2.30	2.80
Weldon, N. C.	3.85	2.40	2.30	4.10
Henderson, N. C. / Oxford, N. C.	2.75	2.40	2.30	3.05

Mr. Davant expressed the opinion that if differential was to be allowed from Dante to Charlotte, as against Pocahontas district by reason of difference in distance, that the same rule should be followed in the interest of the Pocahontas district in making rates to points north and east of Charlotte.

Mr. Green expressed the view that rates from Dante to Carolina territory, except possibly to territory east of Salisbury, should not be lower than the existing rates from the adjoining field on the Virginia & Southwestern Railroad, observing the Appalachia group as minimum.

The effect of this basis would be to maintain the same difference between Dante and Coal Creek as now exists between V. & S. W. mines and Coal Creek. He stated that the Southern Railway would not maintain higher rates from V. & S. W. mines (the Appalachia group at least), than established by the C., C. & O. from Dante, and from Coal Creek as much less as may be determined by the Interstate Commerce Commission, in case now pending, as a fair difference between Coal Creek and V. & S. W. mines.

Mr. Campion proposes rates from Dante, which, if established, would make the rates from that point higher than the present rates from Coal Creek to Charlotte, 15 cents; Spartanburg, 10 cents; Columbia and Augusta, 25 cents; Greenville and Greenwood, 20 cents; Statesville and Salisbury, 20 cents. These differences are wholly unsatisfactory to the Southern Railway and will not be accepted. Mr. Green agreed to consider, in the nature of a compromise, a difference of 5 cents from Dante over Coal Creek to these and intermediate points.

Mr. Campion stated that he was not prepared to accept a compromise basis, as proposed by Mr. Green, until after further conference was had with his executives.

Exhibit No. 20 is a memorandum of the meeting at Washington, D. C., March 24, 1911, by John J. Campion, vice president and traffic manager of the C., C. & O. Railroad. This exhibit reads as follows:

As a result of telegraphic call for meeting, sent out by Mr. T. S. Davant, vice president and traffic manager Norfolk & Western Railway, a meeting was held in the offices of the Southern Railway at Washington, D. C., March 24, 1911, for the consideration of revision in rates on coal from West Virginia mines to certain defined territory of the Atlantic Coast Line Railway in North and South Carolina.

No previous detailed advice was given as to the intent of this meeting, but Mr. Davant, happening to meet Mr. Potter, advised that it was called for the purpose of making some unimportant revisions in the present rates, due to the fourth section of the act to regulate commerce.

The meeting was attended by the following representatives of the roads named:

Atlantic Coast Line (including C. N. & L. and C. & W. C., R. A. Brand, freight traffic manager, also freight traffic manager Winston-Salem Southbound); E. Williams, general freight agent C. & W. C.; J. W. Perrin, general freight agent; Norfolk & Western Railway, T. S. Davant, vice president and traffic manager; T. D. Hobart, Coal & Coke freight agent; Chesapeake & Ohio Railway, E. D. Hotchkiss, general freight agent; Virginian Railway, S. M. Adsit, general freight agent; Southern Railway, L. Green, freight traffic manager; Virginia & Southwestern Railway, C. R. Capps, vice president, L. E. Chalenor, general freight agent; C. S. Rains, assistant general freight agent; Central of Georgia Railway, Noel Wright, general freight agent.

Mr. Davant called the meeting to order, and announced that the meeting had been called due to request made upon him by Mr. R. A. Brand, freight traffic manager of the Winston-Salem Southbound Railroad.

Mr. Brand then announced that the building of the Winston-Salem Southbound Railroad had lessened the mileages to considerable territory of the Atlantic Coast Line Railroad, and that, therefore, he wished to bring about a revision in the rates on coal from Pocahontas field of the Norfolk & Western Railway to that territory.

After some further preliminaries, the following was submitted:

"Rates on coal from Pocahontas and New River districts, including Virginia Railway mines, to points on Atlantic Coast Line on and west of a line, Wilmington to Sanford, including Sanford; on and east and south of the Seaboard Air Line, Sanford to Wadesboro, including Wadesboro; on and east of the Atlantic Coast Line, Wadesboro to Floyds and Hartsville, including Hartsville

Branch; thence via Darlington, Elliott, to Lucknow, including Lucknow; thence to Oswego, including Oswego; east of Mayesville, including Mayesville, and east of south of Sumter via Lanes, to and including Saxon; same as Dante, with a maximum of $2.40 per ton.

"To stations on Georgetown & Western Railway, including Georgetown, from Pocahontas and New River districts, $2.40 per ton.

"To Sumter and points on Atlantic Coast Line west of Sumter to Sims, inclusive, from Pocahontas and New River districts, $2.45.

"South of Sumter to and including Orangeburg from Pocahontas district, $2.50 per ton."

Mr. Capps concurred in this and said that in his opinion it would be necessary to revise the rates from Dante to stations east of Wadesboro to Hamlet, and north of Hamlet to Raleigh, in order to preserve the maximum of $2.40 per ton.

Mr. Brand then advised me that he would also be willing to carry Fayetteville, Hope Mills, and other points in that immediate section on basis of $2.40 per ton.

No previous advice had been given to the Clinchfield Railway or to any of the other interests, except the Norfolk & Western, as to what was the real purpose of the meeting.

I took the position that it was unadvisable to at this time consider any revision in the rates on coal from any field to any point in Carolina territory; that the coal rates from Tennessee and Virginia to the Carolinas were involved in a complaint before the Interstate Commerce Commission, and that a decision in this might be expected within the next 60 days, which decision might necessitate a revision of coal rates from all fields to all points in the territory. Further, that it should not be expected that carriers interested in other coal fields should pass upon a revision of these rates until complete detailed information was available.

I further reminded all that the Clinchfield Railway, representing an investment of $50,000,000, had come into the coal situation and permitted its railroad to remain idle for more than 30 days pending a relative adjustment of rates from the various producing fields that would preserve the existing level of rates and do injury to none. That the Clinchfield Railway had accepted an adjustment of rates which was manifestly unfair to it by the measure of distance; therefore that the lessening of any distance by the building of the Winston-Salem Southbound Railway should not at this time at least be considered as requiring a revision in coal rates to important territory.

I further stated that the Clinchfield Railway, out of consideration for the generally disturbed situation in the Carolinas regarding coal rates by reason of the above-mentioned complaint now before the commission, had deferred bringing up with the interested coal carriers the question of revision in the rates from Clinchfield mines and that our interests in this matter were far greater and more important than those involved by the opening of the Winston-Salem Southbound Railway.

Mr. Green argued in support of the position I had taken.

Then Mr. Davant, as chairman, also expressed himself as supporting my position, and suggested that no action be taken at this time, but that another meeting be held in the convenient future, at which all lines could be better prepared to discuss the situation.

Mr. Brand finally consented to postponement, and another meeting has been called for April 12 next at Washington.

Before adjournment of the meeting I recommended the appointment of a competent committee to tabulate distances from each coal field via each route through which divisions were in effect and which afforded practicable working routes to each common point in Carolina territory. Mr. Hotchkiss, of the Chesapeake & Ohio Railway, offered objections to this, taking the position that he did not see that this would serve any purpose; that the position of the Chesapeake & Ohio was that, regardless of distances, the Chesapeake & Ohio would meet any rate to any southern point carried by the Norfolk & Western; further, that he had, in repeated testimony before courts and commissions, sworn to the distances from the Chesapeake & Ohio field, and that for this reason he was unwilling to now tabulate distances which might make slight immaterial changes in the distances to which he had testified.

I then contended that although the Clinchfield Railway was the short line to a very large territory in the Carolinas, that there was no point at which it did not have a differential against it from either the West Virginia field on the one hand or the Tennessee field on the other.

I took the position that the two Carolinas were a common coal-consuming territory; that their sources of supply were from West Virginia, Virginia, and Tennessee, and that it was the competition of these coal fields in this consuming territory.

I contended that the correct method of determining the relative rate adjustment from the three fields named to the Carolinas was to compare average distances from the three West Virginia roads via practicable working routes to each common point, measured against the average distances from the Virginia fields via practicable working routes, and similar basis to be applied from Tennessee.

The Chesapeake & Ohio representative then announced that even if their distance should be 500 miles greater than that of the Norfolk & Western, that they would meet the Norfolk & Western rate.

This statement of Mr. Hotchkiss gave me opportunity to point out the unfairness of using the short line (whichever it might be) from the West Virginia field to the Carolinas as the method of fixing the relation of rates from Virginia; that it was unfair that the Chesapeake & Ohio should get in and meet the short line rate, while the Clinchfield Railway was denied opportunity to meet it, although the Clinchfield Railway distances to the consuming point was substantially less than that from the Chesapeake & Ohio field.

J. J. C.

At Washington, 3-24-1911.

Exhibit No. 21 is a letter from Mr. H. G. Waring, assistant general freight agent of the Carolina, Clinchfield & Ohio, dated Johnson City, Tenn., May 12, 1911, addressed to Mr. Campion. This letter simply discusses the meeting in Mr. Green's office on May 11. The exhibit reads:

Mr. CAMPION. As instructed in your wire of the 10th, I attended the coal meeting held in Mr. Green's office on the 11th, the session beginning at 10.30 and lasting until 1.30. Representation was as follows:

Mr. J. W. Perrin, general freight agent Atlantic Coast Line.
Mr. E. D. Hotchkiss, general freight agent C. & O. Railway.
Mr. T. D. Hobart, coal and coke freight agent N. & W. Railway.
Mr. L. E. Chalenor, general freight agent Seaboard Air Line.
Mr. R. H. Ebberly, executive clerk Seaboard Air Line.
Mr. L. Green, freight traffic manager Southern Railway.
Mr. W. S. Saunders, assistant general freight agent Virginian Railway.
Mr. H. G. Waring, assistant general freight agent C., C. & O. Railway.

The purpose of the meeting was to check up the specific figures from all mines on the basis outlined by Mr. Brand's announcement at the previous meeting. I attach pencil memorandum showing the present and proposed figures from the West Virginia mines and from Dante. I suggested that Dante should be not higher than Pocahontas to any of these points.

When we reached Albemarle, Norwood, and Whitney, points on the Norwood Branch of the Southern Railway, which are touched by the Southbound Railway, we found the rates to be from Pocahontas 2.45, Dante 2.35. The N. & W. and other West Virginia lines made rate of 2.40. Mr. Green insisted that as the distance from Dante was slightly greater than from Pocahontas, we should carry not less, which was 2.40 per ton, or an advance of 5 cents. I argued that we should not be asked to make any advances; that we had heretofore carried differential of 10 cents under West Virginia mines, and had to ask that the differential be maintained, but certainly we should not advance. Mr. Green insisted that as the conditions had changed at these points, and that as the distance was less from Pocahontas, we ought to be willing to carry rate not less than from Pocahontas. I then told him we would check in that figure subject to your approval and that you would advise if satisfactory. Mr. Green will probably write you on the subject.

When we came to checking in local stations it was found that we carried 2.35 to the entire Norwood branch of the Southern Railway, and Mr. Green said that our rate to this branch should be 2.40, same as Pocahontas, the new Pocahontas rate being checked in at 2.40. I told him that the same principle was involved as at junction points, and the rate would be checked in subject to your approval. Mr. Green then asked if I was not willing to recommend to you that we make the rate 2.40, and I told him that I could not consistently do so because I did not think we ought to make any advance at this time, believing that to be in accordance with your views. As a matter of fact, however,

I believe that Mr. Green is correct in his idea. We have all along contended that distance should be the measure of rates on such commodities as coal, cement, etc., from points on our line, and to be consistent with that idea it would be proper to carry rates from Dante to this branch the same as from Pocahontas group, Pocahontas distance being somewhat less.

There was no argument nor any special views expressed, and Mr. Green promised to have record of the meeting and the figures checked in typewritten and send to all interested lines.

H. G. W.

Exhibit No. 22 is a letter from J. J. Campion, vice president and traffic manager of the C., C. & O., dated May 17, 1911, file A, addressed to L. Green, freight traffic manager, Southern Railway, on the subject of rate adjustment, coal from all mines to Carolina territory. This letter is of the same tenor as the previous one, dealing with the proposition that in 1909, when the C., C. & O. was opened up, the shortening of distance did not operate to lower the rate, but that in 1911, when the Winston-Salem Southbound was opened up, the joint property of the Norfolk & Western and Atlantic Coast Line, the road which had objected to the Clinchfield's territory mileage affecting rates insisted that the rate should be lower from Pocahontas, C. & O., and Virginian districts, for the reason that the distance was shorter.

EXHIBIT No. 22, FILE A.

RATE ADJUSTMENT, COAL FROM ALL MINES TO CAROLINA TERRITORY.

MAY 17, 1911.

Mr. L. GREEN,
Freight Traffic Manager Southern Railway, Washington, D. C.

DEAR SIR: I am in receipt of copy of your letter dated May 12, file 17936-A, addressed to representatives of lines who attended conference in your office on the 11th instant, together with the detail check of coal rates which was made at that time.

At the New York meeting on April 25 I consented to a revision of rates from West Virginia to the territory described below as follows:

"Rates on coal from Pocahontas and New River districts and from mines on Virginian Railway to points on and east of ACL Wadesboro to Florence, inclusive, including Hartsville branch; on ACL between Florence and Wilmington, but not including Wilmington, Navassa, or Cronley; to points on and west of ACL Wilmington, not including Wilmington, Navassa, or Cronley, to Sanford, including Sanford; points on ACL Florence to Lanes, inclusive, and on the Georgetown & Western to Georgetown, inclusive—the same as from Dante, Va., with a maximum of $2.40 per ton.

"It was understood that Mr. Capps's announcement at the Washington meeting, namely, that rates to points on the Seaboard Air Line, Sanford via Hamlet to Wadesboro, inclusive, would be made $2.40 per ton from Dante, would stand."

The above revision was consented to with the distinct understanding that this company would, at some future date, bring up for consideration with all interested carriers the question of revision in total rates and relative adjustment from all producing fields, and that the withdrawal of our objections to the revision of rates from West Virginia to Coast Line territory described should be without prejudice to future considerations.

I realized at that time that to bring about the changes agreed upon, certain other points would necessarily be affected, but the result has been to change the relation of rates from the various fields to the greater part of North Carolina, and we are now asked, in order to bring about a further adjustment in favor of West Virginia, to advance our rates to Albermarle, Norwood, and Whitney, N. C., 5 cents per ton, while the rate from West Virginia is reduced 5 cents per ton, thereby removing entirely the differential which the southwest Virginia fields had against West Virginia.

We are unwilling, and should not be asked, to advance any of our coal rates while the tendency is toward reductions from all other fields.

It has been represented that the distances to these three points, to which we are now asked to carry the same rates as the West Virginia fields, are less from Pocahontas than from Dante. This is not correct. The distances from West Virginia and southwest Virginia fields to the points in question are as follows:

From West Virginia fields.

To—	From Pocahontas (N & W. Ry.) district, average distance.	From New River (C. & O. Ry.) district, average distance.	From Virginian Railway mines, average distance.	From all West Virginia mines, average distance.
	Miles.	*Miles.*	*Miles.*	*Miles.*
Albemarle, N. C	332	398	450	393
Norwood, N. C	343	408	460	404
Whitney, N. C	322	397	449	389

From southwest Virginia fields.

To—	From Clinchfield Ry. mines, average distance.	From N. & W. Ry. mines between Norton and St. Paul via St. Paul, average distance.	From V. & S. W. Ry. mines via Bulls Gap, average distance.	From V. & S. W. Ry. mines via Speers Ferry, average distance.	From A. L. L. southwest Virginia mines, average distance.
	Miles.	*Miles.*	*Miles.*	*Miles.*	*Miles.*
Albemarle, N. C	319	320	370	309	329½
Norwood, N. C	329	330	380	319	339½
Whitney, N. C	318	319	369	308	328½

To—	Average from all West Virginia fields.	Average from all southwest Virginia fields.	Differences.
	Miles.	*Miles.*	*Miles.*
Albermarle, N. C	393	329½	63½
Norwood, N. C	404	339½	64½
Whitney, N. C	389	328½	60½

The above tabulation shows that the distances from Dante are slightly less than from Pocahontas, but this is not, in my judgment, a proper way to determine the relation of rates from West Virginia and Virginia to the common territory. The relative adjustment should be based upon an average of the distances of all lines from each field. On this basis southwest Virginia mines are 63½ miles less to Albermarle, 64½ miles less to Norwood, and 60½ miles less to Whitney than the average distances from the West Virginia fields on the Norfolk & Western, Chesapeake & Ohio, and Virginian Railways.

I am much concerned about the many sectional changes in coal rates, and we will not consider any further changes until the proposition which we propose to submit as early as possible shall have been considered and, if necessary, the entire question passed upon by the chief executives.

Yours, very truly,

_____,

Vice Pres. & Traffic Mgr.

Copies to:

Mr. C. R. Capps, V. P., Sal. Ry., Norfolk, Va.
Mr. A. A. Brand, F. T. M., A. C. L. R. R., Wilmington, S. C.
Mr. A. D. Hotchkiss, C. F. A., C. & O. Ry., Richmond, Va.
Mr. L. D. Hobart, C. & O., N. & W. Ry., Roanoke, Va.
Mr. S. M. Adsit, G. F. A., Virginian Ry., Norfolk, Va.
Mr. L. E. Chalenor, G. F. A., Sal. Ry., Norfolk, Va.
Mr. J. W. Perrin, G. F. A., A. C. L. Ry., Wilmington, S. C.
Mr. W. S. Saunders, A. F. A., Virginian Ry., Norfolk, Va.

18th."

Mr. LYON. Have you any other letters on that subject of conference of carriers as to rates?

Mr. WRIGHT. I have. Exhibit No. 23 is a letter from Mr. L. E. Johnson, president of the Norfolk & Western Railway, Roanoke, Va., dated November 7, 1910, addressed to Mark W. Potter, chairman, C., C. & O. Railway, New York City. That letter reads as follows:

MY DEAR MR. POTTER: I have the honor to acknowledge receipt of your letter of October 27, and without going into details in connection with this matter, whenever I am notified by you that you have been able to reach satisfactory conclusions with Mr. Finley relative to the question involved, viz, the opening up of our line to you between St. Paul and Norton, this matter will be put into effect. I simply want to say that my position to-day is what it was at the last conference I had with you and Mr. Finley in New York several months ago, *namely, that in a community of interest I want nothing done that will injure the situation as it now exists*, but to the contrary that everything be done to strengthen the situation. I think that as there appears to be a little friction between the operating officers we should not take any further action until you and Mr. Finley have had a further conference and reached conclusions. If you and Mr. Finley desire my presence at such a conference and dates can be arranged satisfactory to us all, I will be glad to attend.

Very truly, yours,

(Signed) L. E. JOHNSON, *President.*

Mr. W. W. FINLEY,
President Southern Ry. Co., Washington, D. C.

Copy.

Mr. LYON. Is the underscored part of this letter underscored in the letter, or was that put in by your stenographer?

Mr. WRIGHT. That was put in by the stenographer. It was underscored in the original.

Mr. THOM. It has not yet appeared where this came from.

Mr. LYON. He stated that they came from the committee's files.

Mr. THOM. How did they get in there?

Mr. WRIGHT. They were turned over by the Department of Justice.

The CHAIRMAN. You obtained them from the Department of Justice?

Mr. WRIGHT. I did.

Mr. THOM. And you have underscored where you want it underscored?

Mr. WRIGHT. Yes.

The CHAIRMAN. I notice several of the letters are underscored that have been offered in evidence from time to time. Was that all done by you or did it appear in the letters?

Mr. WRIGHT. It did not appear in the letters.

The CHAIRMAN. There were no italics in the letters?

Mr. WRIGHT. No emphasis anywhere. That should be made clear. It really was copied, through error of the stenographer, who made a literal copy, including the underscoring I put there for my information. It was not intended to put the writer of these letters in the position of emphasizing any particular part of them. If we have these letters copied without underscoring, that would be fairer to the writer.

Mr. LYON. In Exhibit No. 23 I find this clause:

I simply want to say that my position to-day is what it was at the last conference I had with you and Mr. Finley in New York several months ago, namely, that in a community of interest I want nothing done that will injure the situation as it now exists, but, to the contrary, that everything be done to strengthen the situation.

What do you understand is meant by that from this correspondence?

The CHAIRMAN. Is not that already in this record?

Mr. LYON. I do not understand that letter is in. Is it, Mr. Wright?

Mr. WRIGHT. No.

Mr. THOM. I presume these letters speak for themselves and will not be interpreted by the witness?

Mr. LYON. There is no objection to the witness giving his interpretation of what is meant by a community of interest, is there? It is not defined in the letter.

The CHAIRMAN. I think that is understood, Mr. Lyon.

Mr. WRIGHT. The next letter attached to that exhibit is Mr. Potter's letter under date of October 27, 1910, addressed to Mr. L. E. Johnson, which will be marked "Exhibit 23-A."

OCTOBER 27, 1910.

L. E. JOHNSON, Esq.,
President Norfolk & Western Railroad,
Roanoke, Va.

MY DEAR MR. JOHNSON: I have just received your letter of the 26th inst. I am confident you never for a moment thought that I have at any time questioned your good faith regarding the arrangement to use the Norfolk & Western lines between St. Paul and Norton.

I note your statement that you have thought that there was no impropriety in our establishing relations with the roads beyond Norton through the N. & W., and I do not understand that you now see any impropriety in so establishing such a relation. This has always been my view, and the fact that we have both entertained this view I think is sufficient evidence that we have both acted in the best of faith, and with the expectation that the arrangement would be carried out. I do not believe it will be impossible for me to work out with Mr. Finley and the representatives of the lines west of Norton an arrangement that would not injure the general situation and that would not invade any rights of the Southern Railway or any other company. I have stated to Mr. Finley that I would be glad to confer with him upon any questions as to arrangements we should establish west of Norton, and while it has not seemed to me that you would want to be brought into any question between the Southern Railway and the Clinchfield I should not have any hesitancy in leaving to you as an arbitrator all questions as to the fairness of any relation we propose to establish.

The president of the Interstate Railroad has come to me and has asked for the opening of the Norton route, saying to me that his connection with the Southern Railway was not satisfactory to the Interstate road and that shippers on his line were suffering, and that he desires to enter into relations whereby his line and his operators would have the advantage of a privilege to use our line and an opportunity to deal with our line as a friendly railroad. As an independent railway, originating important tonnage, anxious to furnish the best possible service to its shippers, I saw no impropriety in his approaching me and no impropriety in my willingness to enter into relations with him. I have made no promises whatever as to what relations we would make. I have stated to him that I wished this matter taken up in joint conference between him, Mr. Finley, and myself. The only thing that I have been positive about has been my statement to him that I would not consent to make any arrangement that would be more attractive to his line to give us business by way of Norton than to give it to the Southern Railway. I have in every possible way made it plain that it could not be said we were competing with the Southern Railway unfairly for this business, or that we were taking any position which could force the Southern Railway to make more favorable arrangements than those existing respecting interstate business, in order to retain the same. If arrangements can be made with the Interstate people making it possible to open the Norton route within the lines above stated, I do not believe there is any reason why we are not entitled to ask to have it opened.

I have even stated to Mr. Finley in writing that I appreciated that there were reasons why his line should be considered when we came to working out relations with the lines west of Norton and that there might be reasons

why we should not establish any relations whatsoever with those lines. It may be that there are things in the general situation or in the relation of the Clinchfield to the Southern Railway which would make it inexpedient or improper to enter into relations with the lines west of Norton, but I do not think that the question as to whether or not we should have from the Norfolk & Western the right to receive business via Norton should depend upon any question which might arise respecting the Speers Ferry route, although the fact that the Speers Ferry route was not satisfactory was what showed to me the necessity for opening another one.

Whenever Mr. Finley wishes to confer with me regarding our relations with the lines west of Norton, I shall be glad to confer with him at any time or place that suits his convenience, and this I have stated to him.

You say you do not understand my position when I spoke of not conceding the right of any other road to prevent us from making the arrangement which we have made with you, and you assure me that no other road has been trying to prevent us from making the arrangement. I am very glad to have this assurance. I thought the Southern Railway was urging you not to make it and I regret that I formed an erroneous opinion that Mr. Finley sought through you to prevent our entering into any relation whatsoever with the lines west of Norton. In view of the fact that he has not objected to our entering into any relation whatsoever, there seems to be nothing left except for Mr. Finley and me to discuss the question as to what relations we should establish beyond that point.

You say that I interjected into my letter a new feature by stating that I wished to establish "as an asset and privilege of our property the right to utilize, if found necessary, the arrangement I made with you." You do not concede that any arrangement that you made with me can be considered a permanent assets of our property and you ask further information from me as to the exact meaning of establishing an "asset and privilege." It may be that the words "asset and privilege" are not happily chosen. What I meant was that I regarded the right which you had given us to enter into traffic relations with lines west of Norton as a most valuable one. Indeed, I think that right could properly be considered both a privilege and an asset, in that it makes it possible for us to establish relations with lines west of Norton and to do business with those lines in a way not possible except for the arrangement which I made with you. You probably do not recall the circumstances under which that arrangement was made, and which I am sure on reflection will show you that the arrangement was justly regarded by me as a valuable one to us. You will remember that we had negotiated an arrangement for trackage over the Norfolk & Western rails to Norton, and you asked me to release the trackage arrangement and substitute a traffic arrangement. You will remember that you assured me that if I would consent to this, you would give us a traffic arrangement which would enable us to handle any business we could handle under a trackage arrangement. This took place in your office in Roanoke. When you gave me that assurance, I unhesitatingly said to you that I consented to the cancellation of the trackage arrangement and accepted a traffic arrangement in lieu thereof. We went over this matter quite fully in our correspondence about a year ago.

It was in pursuance of our general arrangement that Mr. Campion worked out the details sometime ago respecting general business, and that I asked that the details of the arrangement be worked out respecting coal. I was my idea that before negotiating with the lines west of Norton it was necessary for us to know upon what basis the Norfolk & Western would handle business that might come from the lines west. I presume that there is no doubt that under trackage we would have had an absolute right to deal with the lines west respecting this business. What I meant by "establishing an asset and privilege" was to put us in position respecting details which would enable us to negotiate with the lines west.

I note your statement that by my own consent at the conference in New York several months ago this matter was held in abeyance an indefinite length of time. I am not quite clear as to exactly what you wish me to understand from your language. What happened at our conference was this: You stated to Mr. Finley most positively that you had made this arrangement with me, and that you expected to carry it out if I wanted you to. Mr. Finley then asked whether you would object if he and I worked out some arrangement to handle the business over the V. & S. W. rather than through Norton. You replied that you did not object if I would release you. Thereupon I stated that I

would not release the arrangement, but that I would consent to defer putting it into effect until I saw what Mr. Finley and I could accomplish. The arrangement was in no sense abrogated.

I hope my use of words which you call positive and absolute was not offensive. My desire at all times to avoid any misunderstanding with you would be my reason for placing before you my understanding in definite and clear terms. I have not meant to force any issue. There is no issue between us or between the Clinchfield and the Norfolk & Western. If there was an issue, I could not and would not force it. I should regard my efforts to legitimately protect and advance the interests of our company as having utterly failed, if I ever got into a position where anyone could say that there exists an issue between us. I am very sorry that you have thus misinterpreted my attitude and misunderstood me. I desire my position to be perfectly understood and my language to be clear. I regret, if it was objectionably strong. I earnestly tried to be frank, and I am sorry if I seemed to be unduly insisting. I wish at all times any question that ever arises between us or our respective properties to be handled along only such lines as are agreeable to you. You at all times deal with all questions along the broadest possible lines and with a disposition to unselfishly conserve the whole general interest.

In view of the fact that Mr. Finley does not object to our arrangement with your company and is, as I now understand, concerned only in the question as to what relations we shall establish with the lines west of you, I hope he and I and the representatives of those lines will be able to work out a satisfactory solution of any problem that may arise.

Very truly, yours,

(Signed) MARK W. POTTER,
Chairman.

Mr. LYON. Have you anything further on that subject, Mr. Wright?

Mr. WRIGHT. I have a letter from Mr. L. E. Johnson, president of the Norfolk & Western Railway, dated Roanoke, Va., August 16, 1913, subject, "Rates on coal to the Carolinas," addressed to Mark W. Potter, president of the C., C. & O., New York. That will be marked "Exhibit 24 A."

EXHIBIT No. 24 A.

Subject: Rates on coal to the Carolinas.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., August 16, 1913.

Mr. MARK W. POTTER,
President Carolina, Clinchfield & Ohio Railway Co.,
24 Broad Street, New York.

MY DEAR MR. POTTER: I have received copy of Mr. Emerson's letter to you, dated August 12, and wish to say that my views are in harmony with those expressed by him. It may be that the present rates are not equitably adjusted as between the different territorial mining groups, and that some readjustment should be made, *but let's get together and endeavor to arrive at some fair determination of the matter without suggesting to the commission that our theories of relationship should be accomplished by rate reductions.*

This is the vacation season and Mr. Finley, who is largely interested in this particular matter, is in Europe and not expected home until September 13, so I hope you will have in mind the common interests, and not file with the commission the statement showing rates (present and proposed) and distances from Tennessee, Virginia, and West Virginia to points in North and South Carolina, which you have had printed—at least before all of us who are vitally and directly interested can come together and in a friendly and harmonious way try out the case upon its merits, with a view of reaching fair and just conclusions.

Very truly, yours,

(Signed) L. E. JOHNSON,
President.

Included with this exhibit is another letter from President Johnson to President Potter, dated August 23, 1913, which will be marked "Exhibit 24–B."

EXHIBIT No. 24–B.

1.
Subject: Rates on coal to the Carolinas.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., August 23, 1913.

Mr. MARK W. POTTER,
President Carolina, Clinchfield & Ohio Railway,
New York City.

MY DEAR MR. POTTER: I have yours of the 18th instant and inclosure, and am glad to note that you are in accord with the suggestion that we get together for a discussion of the differential basis before suggesting any basis to the Interstate Commerce Commission. I will undertake, as soon as I can ascertain when Mr. Finley will be here, to arrange this conference, but I would not consider a conference complete without Mr. Finley being present.

It may be that it will not be possible to arrange for a conference before the adjourned hearing on the complaint is held. My further suggestion is that if we do not have a conference to let the hearing proceed in the usual manner, defending to the best of our ability the present rates, and let the matter go to the Interstate Commerce Commission for its ruling in the usual way. If we agree upon a change of rates prior to the ruling of the Interstate Commerce Commission, I believe that we could then present our views to the commission with a reasonable expectation of securing their approval thereof.

You feel that the present adjustment of rates is unfair to your road and its coal operators, and I feel that my road and its coal operators are at a disadvantage—and perhaps all parties concerned are not entirely satisfied with the rates as they are today. Under such conditions, in considering a readjustment of rates, *it is often found useful, in trying to reach a just conclusion, to make exhibits of business actually done under the objectionable tariff;* and I, therefore, suggest the wisdom of each road making a showing of the tonnage from each group of mines to each point of destination in the States of North and South Carolina for the years ending June 30, 1912 and 1913. The exchange of such information will certainly help us to settle our differences, and I hope my suggestion will be accepted by you and the other gentlemen upon whose roads the tonnage originates.

Yours, very truly,

(Signed) L. E. JOHNSON,
President.

Also a letter from President Potter to President Johnson, dated August 27, 1913, which will be Exhibit 24–C.

EXHIBIT No. 24–C.

Mr. L. E. JOHNSON,
President Norfolk & Western Railway, Roanoke, Va.

DEAR MR. JOHNSON: On my return to the office this morning from a trip south I find your letter of the 23d instant.

Mr. Campion, who returned to New York this morning after a trip west covering nearly a month, has read my recent correspondence with you and calls my attention to an erroneous impression which I had and which I passed along to you. He was not at the hearing at Greenville on July 11, but was subsequently informed that while at Greenville Mr. Owen, who appeared as counsel for the Clinchfield, gave to Mr. Wimbish, counsel for the complainants in the proceedings, a copy of the statement of facts prepared by us regarding the history, physical condition, operation, etc., on the Clinchfield Railway, and also the statement dated July 1, 1913, which had been prepared by Mr. Campion, showing rates (present and proposed) and distances from Tennessee, Virginia, and West Virginia mines to points in North Carolina and South Carolina. My statement, therefore, to you and to the other presidents regarding

my understanding that nothing prepared by our traffic representatives had been given out to anyone except the railways interested, though true as a statement of my understanding, did not give accurate advice as to the situation. Mr. Owen, who represented us at the hearing, is now away from the office and has been for a month. While I am without his confirmation of the information that he presented the statement of July 1, 1913, I have no doubt that upon his return he did so inform me. Assuming this to be the case, I regret that I had forgotten it at the time I wrote you and Mr. Emerson.

You have no doubt seen Mr. Campion's letter to Mr. Walton Moore, of July 2, a copy of which on that date was sent to the traffic representatives of all the lines interested. That letter fully stated the position which the Clinchfield proposed to take, and I presume the fact that that letter elicited no comment prior to the hearing influenced the belief at that time that the position proposed to be taken by the Clinchfield was not unsatisfactory to the other lines. I have no doubt Mr. Owen was under this impression when he submitted the statement to Mr. Wimbish.

The question that will naturally arise in your mind and in the minds of the other executives, in view of the fact that the statement of July 1 is in the hands of the counsel for the complainants, is whether that statement can be used by the complainants as evidence in the nature of testimony from the Clinchfield representatives upon the question as to what rates are fair and reasonable in and of themselves, and therefore be used to force reductions to certain points. Upon reflection, I think you will agree with me that there is no danger of the statement having this effect. When the matter had my attention before the hearing, I personally gave very careful consideration to the subject, with a view to preventing the statement being used against us, in case we decided to offer it, to bring about a mere lowering of rates, or to be used at all except as a statement of the concession we were willing to make, provided that, by doing so, a more satisfactory general differential adjustment could be brought about. In order to make sure that its use would be thus conditional, I personally prepared, for use when the proper time came, a statement to the commission of the exact position taken by the Clinchfield in presenting the statement of July 1. That statement, now in my files and ready for use, is as follows:

"The Carolina, Clinchfield & Ohio Railway and the Carolina, Clinchfield & Ohio Railway of South Carolina define the position which they take in these proceedings as follows:

"For rate-making purposes, there must be taken into consideration not only the expenditures, as classified by the Interstate Commerce Commission, but also the burden of interest on capital investment, which reduce those expenditures below what they would have been except for such capital investment. Such consideration will show that the cost to the Clinchfield Railway of handling its coal has been approximately 8 mills per ton per mile, or a figure substantially in excess of the amount received per ton per mile, in view of which no shipper is entitled to ask for a reduction. Therefore, considering the case asking for a reduction of the rates from southwest Virginia separately and alone, the Clinchfield Railway can not consent to and must oppose any reduction.

"Notwithstanding the fact, however, as against the Clinchfield Railway, the present rates must be considered fair and reasonable, these companies—believing that the present differential adjustment, as between Tennessee, West Virginia, and Virginia, is unfair to the mines in southwest Virginia served by the Clinchfield Railway, and gives to the mines in Tennessee and West Virginia an undue advantage in the Carolinas—are willing to join in the establishment of a fair and proper differential basis, and to establish such rates as shall be necessary to bring this about, although a reduction of rates via the Clinchfield Railway to certain places may be required.

"If the case involving the Virginia rates and the case involving the West Virginia rates are consolidated and the situation is dealt with as a whole with a view to working out a basis fair to all, the Clinchfield Railway submits herewith as Exhibit 1 a suggested arrangement of coal rates to the Carolinas from Tennessee, Virginia, and West Virginia which it believes fair to all and which it is willing to accept.

"The arrangement suggested in Exhibit 1 is based upon the theory that relative distance should be the controlling factor in determining the differential basis, and that the distance which should be taken from each field is the average

distance via the several lines serving the respective fields, as presenting the fairest comparison of their transportation facilities. It also takes into consideration the rates to the different points where such rates have been held to be fair and reasonable. It attempts to recognize the average distance from each field to each point in the Carolinas, but it has not been possible to do this altogether, some departures and modifications from the aforesaid basis being necessary at particular points to preserve the proper relation between adjacent points of destination and also to observe the long and short haul provision of the interstate-commerce act."

With the foregoing statement made to the Interstate Commerce Commission I think you will feel quite sure that no one can regard our statement of July 1, 1913, as testimony or as an admission upon any question as to what rates are fair and reasonable, or otherwise than as a suggestion for a general differential basis.

As to promising to attempt to defend to the best of our ability the present rates, it occurs to me that possibly we may find ourselves in a position where in order to be perfectly frank with the commission to the present our own views in the most effective manner, it may be necessary to take a position that will open up the general subject. In view of my firm belief that the present differential basis is not a fair one, I, of course, can not take a position before the commission which would imply that I thought it fair.

I note your suggestion that there be prepared and exchanged exhibits showing the tonnage from each group of mines to each point of destination in the Carolinas for the years ending June 30, 1912 and 1913. I see no objection to the exchange of such information, and it seems to me it might be helpful. We will proceed at once to prepare such statements. There may be some objection to furnishing full detailed information on this subjct, but I think we can prepare statements sufficiently definite for the purpose you have in mind and sufficiently general to obviate any objection against improper disclosure of information. I have in mind possible criticism of shippers who might claim the railways were representing information regarding their business to others.

Yours, truly,

(Signed) MARK W. POTTER,
President.

Copy to Messrs:
W. A. Barber, Pres. C. & N. W. Ry., 165 B'way, N. Y.
J. B. Cleveland, Pres. C. & W. C. Ry., Spartanburg, S. C.
Geo. W. Stevens, Pres. C. & O. Ry., Richmond, Va.
D. B. Wentz, Pres. Interstate R. R., Philadelphia, Pa.
M. H. Smith, Pres. L. & N. R. R., Louisville, Ky.
C. H. Hix, Pres. Norfolk Sou. R. R., Norfolk, Va.
Raymond DuPuy, V. P. Virginian Ry., Norfolk, Va.
W. W. Finley, Pres. Southern Ry., Washington, D. C.
W. J. Harahan, Pres. S. A. L. Ry., Norfolk, Va.
T. M. Emerson, Pres. A. C. L. R. R., Wilmington, N. C.

Telegram from President Johnson to President Potter dated September 10, 1913, which will be Exhibit 24–D:

EXHIBIT No. 24–D.

[Western Union telegram. Received at the Western Union Building, 195 Broadway, New York.]

PHILADELPHIA, PA., *September 10, 1913.*

MARK W. POTTER,
President C. C. & O. Ry., 24 Broad Street, New York:

I wired you jointly with the presidents of other lines interested yesterday calling meeting at Southern Railway Office, Washington, Friday, 11 a. m. Meeting will be held. Kindly wire me Arcade Building, Philadelphia, if you will attend.

L. E. JOHNSON.

Telegram from President Johnson dated September 10, 1913, to Mr. T. G. Cunningham, private secretary to Mr. Potter, which will be marked Exhibit 24–E:

EXHIBIT No. 24–E.

[Western Union telegram. Received at the Western Union Building, 195 Broadway, New York.]

PHILADELPHIA, PA., *September 10, 1913.*

T. J. CUNNINGHAM,
Care C. C. & O. Ry. Co., 24 Broad Street, New York:

It is exceedingly important that you get in communication with Mr. Potter and explain to him importance of his being in Washington on Friday. All other parties will be there. Please give this matter your personal attention and impress upon Mr. Potter its importance. Wire me at New Willard Hotel, Washington, where I will be this evening.

L. E. JOHNSON.

Letter from President L. E. Johnson to President Mark W. Potter, dated October 4, 1913, which will be Exhibit 24–F:

EXHIBIT No. 24–F.

Subject: Rates on coal to the Carolinas.

NORFOLK & WESTERN RAILWAY CO.,
Roanoke, Va., October 4, 1913.

Mr. MARK W. POTTER,
President Carolina, Clinchfield & Ohio Railway,
New York City.

DEAR MR. POTTER: I have received and carefully noted your letter of the 30th ultimo.

I think we are agreed as to how to proceed with the question of differentials, and that it is only necessary for me to remark in reply to what you say regarding my "willingness to rely very largely on the mileage" that I agree with Mr. Finley that there are other important factors that must be and usually are taken into consideration in establishing differentials in rates.

I very much hope that the traffic people will be able to reach some satisfactory settlement of this matter when they meet in Washington next Tuesday.

Yours, very truly,

(Signed) L. E. JOHNSON, *President.*

A letter from President Johnson, dated October 18, 1913, to the presidents of all the southern coal-carrying lines, requesting a conference at the Southern Railway office in Washington, October 18, 1913—that will be Exhibit 24–G:

EXHIBIT No. 24–G.

Subject: Rates to the Carolinas.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., October 18, 1913.

DEAR SIR: In connnection with the conference to be held at the Southern Railway office in Washington on the 24th instant relative to the North Carolina situation, you are hereby requested to attend a conference on the subject of coal differentials to the Carolinas immediately after the adjournment of the other meeting.

Very truly, yours,

(Signed) L. E. JOHNSON, *President.*

Mr. W. W. Finley, president Southern Railway Co., Washington, D. C.
Mr. T. M. Emerson, president A. C. L. R. R. Co., Wilmington, N. C.
Mr. Mark W. Potter, president C., C. & O. Ry. Co., 24 Broad Street, New York.

Mr. W. A. Barber, president C. & N. W. Ry., 165 Broadway, New York.
Mr. George W. Stevens, president C. & O. Ry., Richmond, Va.
Mr. John B. Cleveland, president C. & W. C. Ry., Spartanburg, S. C.
Mr. D. B. Wentz, president Interstate Railroad, Land Title Building, Philadelphia.
Mr. Milton H. Smith, president L. & N. R. R. Co., Louisville, Ky.
Mr. W. J. Harahan, president S. A. L. Ry., Norfolk, Va.
Mr. Raymond Du Puy, vice president and general manager the Virginian Railway, Norfolk, Va.

Letter from President Potter to President Johnson, dated November 13, 1913, which will be Exhibit 24–H:

EXHIBIT No. 24–H.

NOVEMBER 13, 1913.

L. E. JOHNSON, Esq.,
President Norfolk & Western Railway,
Roanoke, Va.

DEAR MR. JOHNSON: I have your telegram asking me about the figures. I am sending them to you with this letter. I am sure that by doing so it is not a case of our informing opposing counsel of our attitude, and thus giving an opportunity for criticism without any opportunity for us to reply.

The basis of our contention is mileage. Taking as one factor the average mileage from the Virginia field of the different lines serving it, and as another factor the average mileage from the West Virginia field of the lines participating in business from that field. In other words, the aggregate lines serving each field are taken as one, with a mileage which the average mileage of all roads represents. We then take note of the fact that in the Black Mountain case the Interstate Commerce Commission held that for a difference in distance of 94 miles, the differential Virginia over Coal Creek, Tenn., should not exceed 25 cents per ton; and that in the Andys Ridge case the commission held that for a difference in distance of 119 miles found at Atlanta the differential between Virginia and Tennessee should not be less than 35 cents per ton. From these two decisions we work out a differential basis as follows:

Distances.	Differentials (per ton).
	Cents.
25 miles and under	None.
50 miles and over 25	10
75 miles and over 50	20
100 miles and over 75	25
125 miles and over 100	30
150 miles and over 125	35
175 miles and over 150	40
200 miles and over 175	45
Over 200 miles	50

We next divide the Carolina territory into six zones, a description of which I inclose herewith. We then apply the differential basis above suggested to these different zones, with the result that the differentials work out as shown on the schedules, which I also herewith inclose.

It has not been feasible to strictly apply this differential basis, because to do so would bring us into conflict with decisions heretofore rendered fixing particular rates, and would also bring us into violation of the long-and-short-haul clause. We have, therefore, on the schedule inclosed harmonized our proposed basis to meet the decisions and to be consistent with the long-and-short-haul requirements. Notes partly explaining this as to each zone are upon the schedule for that zone, and are more fully explained in "Statement of present and proposed rates," dated July 1, 1913, previously sent you.

With this explanation of the theory upon which the differentials suggested were worked out, we have been absolutely judicial and impartial without regard to its effect upon the revenues of the Clinchfield Railway or of any other. The matter has been handled by us

as it would have been were we a judge. My personal conviction is that this basis of which I now advise you, and which we shall urge upon the Interstate Commerce Commission, is a logical basis and the only logical basis that has ever been considered. My belief is, too, that if this basis is adopted it will do more than anything else that is conceivable to satisfy the discontent regarding rates and to prevent litigation. In fact, its adoption under the commission's order would be a universal approval of the rate policies of the roads that put it into effect. Therefore it seems to me that it is of the utmost importance to all carriers that this basis be adopted. That it reduces your revenue, perhaps, to some points, must be recognized, but it does not seriously affect your position at any points except where they are manifestly out of line. I beg of you to get yourself into a liberal mood, or, rather, a mood where you will be actuated solely by a desire to work out a right rate basis without regard to revenue; and my experience with you in the past makes me confident that you you will do this. There are times when any individual must make a sacrifice in the interests of the general whole. This, perhaps, is the time for you to do this. It is fortunate that your line, with its rapidly growing prosperity forcing upon it business it can scarcely handle, is in a position to do a little something for the public good without feeling it. I really believe the time exists for a great and valued opportunity to show to the commission and to the public that the railways are actuated by a desire to contribute to the public weal. I ask only that you be as judicial in considering our suggestions as I have been in advancing it, and, in fact, as I have tried to be in the consideration of all questions pertaining to the welfare of all lines and to the general situation.

Yours, very truly,

(Signed) MARK W. POTTER.

A letter from President Johnson to President Potter, dated November 28, 1913, which will be Exhibit 24–I:

EXHIBIT No. 24–I.

1. Subject: In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida—I. C. C. Docket 6324.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., November 28, 1913.

Mr. MARK W. POTTER,
President C., C. & O. Railway Co., 24 Broad Street, New York.

MY DEAR MR. POTTER: In reference to your telegram of the 18th instant, in which you suggest that "all interests would be best served if Campion and Davant could quietly confer in order that you may thoroughly and completely understand our position."

I am inclosing you herewith a letter addressed to all of the carriers in connection with this case, calling conference at Mr. R. Walton Moore's office.

I do not agree with your views in connection with Mr. Campion and Mr. Davant getting together, because we are not in accord with your views. It is contrary to the principles of rate making to make rates on mileage basis and it is condemned in both the cases which you refer to by the Interstate Commerce Commission as to basis on which rates can be made. We grant you that it is one of the factors. In your analysis, in which you have based your calculations on the mileage basis, you have averaged the Norfolk & Western, which has a much shorter route, with the Chesapeake & Ohio, which is unfair to the

Norfolk & Western and does not put it on a proper basis, even on the mileage basis. However, inasmuch as we do not agree with your views on the basis, we must, of course, accept your conclusions that you will present it to the commission on the basis outlined by you, but this conference with Mr. R. Walton Moore, who also represents your company in a general way, is advisable and necessary.

I have approached this matter with all freedom from bias and with as open a mind as possible. I know, and have known for a long time, that it is impossible for the railroads to agree. Even if they did agree, the public might not be satisfied, and therefore it is of the utmost importance that this question shall be heard before the commission, with each railway given an opportunity to put it in its views, and then let the commission decide.

I wish you would advise me whether or not we are at liberty to use your letter and description of the zone boundaries, etc. I have discussed this with our traffic people, but have instructed them not to use it without your consent. Our lawyers have not seen it. If you are not willing that it shall be used, I shall return it to you. Of course it will come to us in due course of time through your brief, but it seems to me that if you would approve of the use of them now, that it might assist our people in presenting this matter and the conference with a full understanding of your views.

Very truly, yours,

(Signed) L. E. JOHNSON, *President.*

A letter from President Johnson to the presidents and vice presidents of certain coal-carrying lines, dated November 28, 1913, inclosing copy of letter from R. Walton Moore, special counsel, dated November 17, 1913. President Johnson's letter will be 24–J, and the letter of Mr. Moore will be 24–K.

1. Subject: In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida—I. C. C. Docket 6324.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., November 28, 1913.

GENTLEMEN: I inclose you copy of letter from R. Walton Moore, and particularly call your attention to the next to the last paragraph, regarding the importance of carriers making preparations and arrangements for conference. I saw Mr. Moore in Philadelphia this week and he requested me, as chairman of the meetings that have been held in connection with this matter, to call a meeting at his office, Colorado Building, Washington, D. C., at 10.30 a. m., Tuesday, December 9. Please write Mr. R. Walton Moore at his address if your company will be represented and by whom, it being thought that the chief traffic officer, with such members of his staff as she may desire, together with the attorneys, should be present at this conference.

The Norfolk & Western Railway will be represented by Messrs. Davant, Ruffin, and Hobart, of the traffic department, and Messrs. R. Walton Moore and Mr. L. H. Cooke, representing the legal department.

It is desirable that you communicate direct with Mr. Moore, as I shall be away from my office between now and the latter part of next week, and it would only delay confirmation of the meeting in sending your replies to me. I will request Mr. Moore to confirm to each of you the call for this meeting after he has received a sufficient number of replies to indicate that there will be a fairly representative meeting.

Very truly, yours,

(Signed) L. E. JOHNSON,
President.

Mr. J. M. Culp, vice president Southern Ry. Co., Washington, D. C.; Mr. Mark W. Potter, president C., C. & O. Ry. Co., 24 Broad Street, New York; Mr. T. S. Davant, vice president N. & W. Ry. Co., Roanoke, Va.; Mr. J. M. Culp, vice president V. & S. W. R. R. Co., Washington, D. C.; Mr. A. R. Smith, vice president L. & N. R. R. Co., Louisville, Ky.; Mr. George W. Stevens, president C. & O. Ry. Co., Richmond, Va.; Mr. G. P. Biles, freight traffic manager C., N. O. & T. P. Ry. Co., Cincinnati, Ohio; Mr. H. F. Smith, vice president N. C. & St. L. R. R. Co., Nashville, Tenn.; Mr. Raymond Du Puy, V. P. & G. M. the Virginia Railway Co., Norfolk, Va.

EXHIBIT No. 24-K.

COLORADO BUILDING,
Washington, D. C., November 17, 1913.

In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida, I. C. C. Docket No. 6324.

DEAR SIR: You will see from the orders of the commission served to-day, copies of which are herewith inclosed, that the commission has instituted a general proceeding with reference to the rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida, Docket No. 6324, into which merges the cases bearing Docket Nos. 5504, 5505, 5583, 5587, 5667, 5836, and 5892, which cases involve rates to Virginia and the Carolinas.

The orders, which open up a most extensive field in inquiry, have the effect of suspending any further action in any of the eight individual cases last mentioned until the general proceeding is heard and disposed of. Since being served with the orders I have endeavored to ascertain at the office of the commission when and where the general proceeding now set on foot will be assigned for hearing, but I am only advised that a very early date will probably be selected. It is, therefore, important that the carriers shall make timely preparations for the introduction of such evidence as they shall desire to offer, and further, I think it essential that there should be a conference here with as little delay as possible for the purpose of determining, among other things, what conflict of interest exists among the carriers represented by me.

I will be glad to receive as quickly as possible suggestions as to the date of the proposed conference.

Very truly, yours,

(Signed) R. WALTON MOORE,
Special Counsel.

The final letter from President Johnson to President Potter, dated December 6, 1913, which will be 24-L:

EXHIBIT No. 24-L.

Subject: In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida, I. C. C. Docket 6324.

NORFOLK & WESTERN RAILWAY CO.,
OFFICE OF THE PRESIDENT,
Roanoke, Va., December 6, 1913.

MY DEAR MR. POTTER: Your favor of the 1st instant. I still feel that the meeting in Philadelphia was not without some benefit, and I believe it assisted in progress toward a better understanding of ourselves in connection with this matter. You are not wrong in your thought and belief that I was giving the subject careful consideration, but I do not recall that I intimated that there was any possibility of our getting together on your views of the matter. I was right careful in this matter, as I could not, from the reading of your proposition and your zones, undertake to pass any judgment on your suggestion without a careful digest of it and the assistance of our traffic officers in connection therewith.

It was clear to me that, inasmuch as we were so far apart in our view, it would be useless for Mr. Campion and Mr. Davant to meet and discuss this matter between themselves, as they could not reach any conclusions without the presence and assistance of traffic officers of other railroads interested in this matter.

I accept your decision not to be present at Mr. Moore's office on the 9th and note that you relieve Mr. Moore of any embarrassment in the matter by arranging to have the Clinchfield represented by other counsel.

I am more and more convinced that the only way this matter can be adjusted is by a hearing before the Interstate Commerce Commission and let them decide what the differentials shall be. We shall present our views in the hearing, and we shall probably abide by their ruling in the matter, although

we may avail ourselves of the opportunity of taking some exceptions to some of the rulings, and I do not intend by this letter to close the door against our looking after our own interests in every possible way and deal fairly and equitably with all parties.

Very truly, yours,

L. E. JOHNSON, *President.*

MARK W. POTTER, Esq.,
President C., C. & O. Ry. Co.,
24 Broad Street, New York.

The CHAIRMAN. Referring to the first exhibit which you offered this morning, being letter from President L. E. Johnson, dated Roanoke, Va., June 11, 1914, addressed to the members of conference of Southern railroad presidents, concerning the meeting at Richmond on June 16, 1914, have you a copy of Senator Tillman's letter of June 5, to which he refers in his letter?

Mr. WRIGHT. I have not here.

The CHAIRMAN. You had better get it and put it in; otherwise we will not know to what it refers.

Mr. WRIGHT. Very well.

Exhibit No. 25 is a letter from Mark W. Potter, president of the C., C. & O., dated July 17, 1909, addressed to L. G. Haas, agent for the receivers, Seaboard Air Line Railway, Portsmouth, Va. I refer particularly to the following extracts in that letter:

When we had the matter of rates into Charlotte territory up, on the completion of our line to Bostic, we made our position very plain. Our views were not in accord with those of the Norfolk & Western and the Southern; nor was the Seaboard willing to express opinions in harmony with our own. I understand your attitude was to decline to meet the Coal Creek rate because the Southern and the Norfolk & Western did not want you to meet it. The result of this policy is that you are denied a very large tonnage which is available to you and for the loss of which you certainly can not blame us.

As a result of this policy cheaper fuel is denied to consumers and manufacturers of your territory, the development of industries is being retarded and water-power development is being extended. I can, of course, understand why the Southern Railway, which loses money on every carload of coal it hauls, should welcome the extension of water power, even until coal is excluded from the territory. But why the Seaboard, which is in position to handle coal at a profit, should support the policy of the Southern I can not understand.

* * * * * * *

What is said of your policy as forcing coal away from your line is equally true of general business. A very large amount of general business could move into Seaboard territory from the Central West over our line. The Seaboard has no important connection which works with it preferentially.

Exhibit 25 in full reads as follows:

EXHIBIT No. 25.

JULY 17, 1909.

L. G. HAAS, Esq.,
Agent for the Receivers, Seaboard Air Line Railway, Portsmouth, Va.

DEAR MR. HAAS: I have your letter of the 14th instant, calling my attention to the fact that, outside of railway fuel, there has been very little coal shipped, and expressing the desire to have from me an estimate of the amount of business that the Carolina, Clinchfield & Ohio Railway will be able to turn over to you during the next two or three months.

I regret that I am not able to give you an estimate that will be of any value as showing any material increase of this tonnage beyond the tonnage you are receiving at the present time. The question as to the tonnage which you receive from our line depends so much on the attitude of the Seaboard management that you would be in a position to form a more accurate opinion than I. I am very sorry that the tonnage has not been heavier and that I do not see any immediate prospect of increase, and I particularly regret that the policy of the

Seaboard is, it seems to me, largely responsible for this situation. I have been very much surprised at the attitude of the Seaboard, but I presume there is something about the situation that I do not understand. There is a very large tonnage that the Seaboard might receive from our line, and that it is entitled to receive, and that other roads should recognize the Seaboard as naturally entitled to, without prejudice to its relations to the other lines, provided the Seaboard chose to assert its right.

I have always felt that a friendly and dependable new coal company for the Seaboard would be of such value to it, not only as railway fuel, but for the development of industries in Seaboard territory. I have also thought that such a connection as we afford, bringing to you connection with lines in northwest territory, would be of much value to you. If I understand the attitude of the Seaboard correctly and form my own opinion of that attitude, it would appear that the ideas of the Seaboard management are not in accord with mine upon this subject.

I believe the Seaboard and our line are entitled to handle the entire coal tonnage in the Charlotte territory. As a matter of fact, the Tennessee mines, which enjoy a differential, are supplying a large part of this tonnage, which does not go over our rails or over the Seaboard rails. When we had the matter of rates in Charlotte territory up, on the completion of our line to Bostic, we made our position very plain. Our views were not in accord with those of the Norfolk & Western and the Southern, nor was the Seaboard willing to express opinions in harmony with our own. I understand your attitude was to decline to meet the Coal Creek rate because the Southern and the Norfolk & Western did not want you to meet it. The result of this policy is that you are denied a very large tonnage which is available to you, and for the loss of which you certainly can not blame us. As a result of this policy, cheaper fuel is denied to consumers and manufacturers of your territory, the development of industries is being retarded, and water-power development is being extended. I can of course understand why the Southern Railway, which loses money on every carload of coal it hauls, should welcome the extension of water power, even until coal is excluded from the territory. But why the Seaboard, which is in position to handle coal at a profit, should support the policy of the Southern I can not understand.

The Carolinas are largely served by the Southern, the Atlantic Coast Line, and the Seaboard Air Line; Georgia by the Southern, the Coast Line, Central of Georgia, and the Seaboard; Florida by the Coast Line, the Florida East Coast, and the Seaboard. The general characteristics of the country traversed by these lines are not materially different in any important respect. Excepting the Florida East Coast Railway, these lines compete each with the other, the traffic interchanged between them being only such as is necessary.

Developments on the Seaboard Air Line Railway have not kept pace with those of its neighboring competitors, as evidenced by the fact that the Seaboard, as I understand, originated for the fiscal years 1907 and 1908 but 54 per cent of its total tonnage, as against 70 per cent and 74 per cent originated by the Southern and the Atlantic Coast Line. This would seem to indicate the need by the Seaboard of increased local development, and, if progress is to be made in this direction, it seems to me that there are no surer means of obtaining it than can be had through the establishment of closer working arrangements with the Clinchfield Railway, which insures to the territory of the Seaboard a supply of cheap coal necessary to its industrial development.

What is said of your policy as forcing coal away from your line is equally true of general business. A very large amount of general business could move into Seaboard territory from the Central West over our line. The Seaboard has no important connection which works with it preferentially. The Louisville & Nashville is now seeking arrangements with the Carolina, Clinchfield & Ohio which will give it a direct line between the Ohio River and the Carolinas, the establishment of which line would mean much to the Seaboard; but the Seaboard declines to open its territory to this route. If this route could be established for the Louisville & Nashville the result, in view of the better service that could be furnished, would, in my judgment, be that the Louisville & Nashville would divert a large part of its tonnage in this direction and that the Seaboard would derive substantial benefit, to which it is clearly entitled. The Louisville & Nashville originates and controls a large volume of business. Their present routes into the Carolinas are via Atlanta and the Virginia cities, neither of which is satisfactory to them on account of its indirectness. They also have a route through Jellico, in connection with the Southern Railway,

over which moves to-day the volume of their Carolina tonnage; not as a matter of choice, but of necessity.

While the Seaboard may be as well situated as its competitors for the business between the territory and the north Atlantic seaboard and New England States, it certainly is not so fortunate regarding western business. The Southern has its own lines to Ohio and the Mississippi River crossings. The Norfolk & Western and the Chesapeake & Ohio have close working relations with the Southern Railway and the Atlantic Coast Line, respectively. The Louisville & Nashville, Chattanooga & St. Louis Railways and the Atlantic Coast Line are one system. The Central of Georgia works closely with the Illinois Central. The Frisco from Birmingham reaches Memphis and a limited northern territory over indirect routes, and no more than neutrality may be expected from that line. The natural result is that the tonnage originated by the Seaboard moves largely to the East, and that they have but little tonnage to the North and West. Why should it not have its western connection?

I understand your traffic department, in declining to open your territory to us for business from the West, have expressed a desire to wait until we build to Elkhorn. What if we never build to Elkhorn? We shall certainly have a northern connection that will enable us to participate in the business between the Northwest and the Southwest on a desirable basis; but why should the Seaboard decline to work with us until we establish any particular connection? We have told you that the Louisville & Nashville will work with us. We have arranged for trackage over the Norfolk & Western from St. Paul to a connection with the Louisville & Nashville at Norton. I see no reason why an arrangement could not be worked out so as to give you the benefit of the business which naturally flows through this channel.

The Carolina, Clinchfield & Ohio to Spartanburg, in connection with the Louisville & Nashville on the north and the Charleston & Western Carolina on the south to Fairfax, would give the Seaboard a direct route for the movement of its Florida perishable traffic, with, I understand, increase haul and revenue, as compared with the existing route to the territory at and beyond the Ohio River.

The Norfolk & Western people have told us that they intend to extend their Dry Fork branch to a connection with the Clinch Valley division at or near Richlands, and they offer to us the use of their line and their connections north, as a close and friendly ally. It may well be that we will decide that this arrangement will, for the present at least, be as satisfactory to us as to build our own line to Elkhorn. Why your traffic department should make the opening of your territory contingent upon our building to Elkhorn and working with the Chesapeake & Ohio, I do not understand. Undoubtedly, if we extend to Elkhorn, arrangements could be affected with the Chesapeake & Ohio which would make it desirable for that road to use the Carolina, Clinchfield & Ohio route almost to the exclusion of its Virginia cities, gateways on business for the Carolinas, South Atlantic port cities, and Florida. Perhaps you prefer to receive business of this character at the north and for that reason decline to work with us at the present time until you see whether or not the Chesapeake & Ohio will insist on handling this business over our line.

If, instead of building to Elkhorn, we should make some other arrangement between our line and the Ohio River, it would seem to me that the result would be equally beneficial to the Seaboard. We will have a route that will establish a good line from the Buffalo-Pittsburgh section and the large territory west thereof, from which could be moved a large tonnage, not only into the Carolinas, Florida, and the South Atlantic port cities, but into Georgia, Alabama, Mississippi, and the Mississippi Valley.

I regret to say that your traffic department, or the policy of the Seaboard management, if it would be so termed, seems less friendly to our line than the policy of any of the other southern lines with which we deal. Of course there are obvious reasons why the other roads should desire to prevent a close relation between the Clinchfield and the Seaboard, but I do not believe any of them could recognize as unnatural or unfriendly an arrangement which would bring to your line the very great benefit that the Clinchfield can furnish. We are friendly to all of the lines, and shall strive to continue so. We believe we will help all of them and injure none, and this will be our policy. I would not expect you to invite antagonisms. But it seems to me so natural for us to work together that if we have the courage to do it the other roads will recognize our right. Whether the prevailing situation is due to adroit and able management on the part of the other roads, which enables them to push the Sea-

board away from us in order that they may work out arrangements to handle and distribute our tonnage, I do not know.

We naturally appreciate the more friendly attitude of the other lines, and while we have always regarded the Seaboard as our natural ally, we must take advantage of this friendliness to its competitors. The Southern opened its Carolina territory to us sometime ago. They have just now informed me of their willingness to open Georgia territory to us via Johnson City, and I am satisfied that they will be glad to handle our business into Georgia territory by way of Spartanburg when we reach that point. For this recognition by the Southern we are bound to be grateful, and if the result is to divert tonnage from the Seaboard, that result can be explained only by the attitude of your management.

I see no reason why you should not handle business from us into Columbia territory, but apparently you are going to lose it. We have now available to us a way to reach Columbia territory over rails other than the Seaboard, and the matter is receiving my present attention, with a view to the consummation of an arrangement of this character at an early date.

It does seem to me that the Clinchfield Railway, with its coal tonnage, is a necessity to the Seaboard for the industrial development of its territory, and that such rates on coal should be established as are necessary to aid this purpose. It is essential to the Seaboard for economies in operation and efficiency in service. It affords the Seaboard a direct and serviceable route between the Carolinas, South Atlantic ports and Florida, and the North and West, which, if properly utilized, should naturally be of great value.

I firmly believe that the correct policy for the Seaboard would be to establish working arrangements with the Clinchfield on all matters of common interest. The two propositions should logically be close connections. Our attitude has been friendly, and if you do not get more business from us it is because you do not want it. One thing seems to me clear, and that is that unless something can be done to bring about a closer connection, the development of the future necessary to maintain the independence and accomplish the ultimate destiny of our property will tend to force us farther apart.

In what I have said you will find my explanation of your disappointment in not receiving more business from us. I hope you will construe this letter, not as an official protest, but merely as a frank expression of my personal views upon questions which are equally vital, and in the same way, to the properties with which we are respectively identified.

Yours, very truly,

MARK W. POTTER, *Chairman.*

Mr. LYON. You spoke of a place called Bostic. Please state to the committee what connection that has.

Mr. WRIGHT. Bostic is the intersection of the Carolina, Clinchfield & Ohio with the Seaboard Air Line.

Mr. LYON. And you understand that letter refers to the turning over of business by the Clinchfield at Bostic for distribution in this Carolina territory to the east. Is that correct?

Mr. WRIGHT. It is.

Mr. LYON. Was July 17, 1909, about the time the Clinchfield was opened up for traffic?

Mr. WRIGHT. About the time it was opened up. It was in February or March, as I recall.

Mr. LYON. And this correspondence was had thereafter with the Seaboard?

Mr. WRIGHT. It was.

Mr. RIXEY. It was open to Spartanburg in December, 1909. Is not that the fact?

Mr. WRIGHT. That is the fact; but it was connected, as the correspondence shows, prior for at least a month, until its connections, who are also its competitors, would agree on certain terms. In the interim the C., C. & O. was compelled to deliver local business, as I understand it.

Mr. LYON. Bostic is north of Spartanburg and it is likely they got into Bostic before they got into Spartanburg, is it not?

Mr. WRIGHT. Yes.

Mr. RIXEY. The interpolation refers to Spartanburg, which is not under discussion.

Mr. WRIGHT. The letter seems to be a protest against the current action by the Seaboard with the Southern.

Exhibit No. 26 is a letter dated October 10, 1913, addressed by Mark W. Potter, president, to Messrs. T. M. Emerson, president Atlantic Coast Line Railroad; W. A. Barber, president Carolina & Northwestern Railway; John B. Cleveland, president Charleston & Western Carolina Railway; and George W. Stevens, president of the Chesapeake & Ohio, with reference to the differential on coal going to the Carolinas. The letter reads as follows:

OCTOBER 10, 1913.

DEAR SIRS: I am informed that the conference of traffic representatives of the various lines interested, held in Washington on October 7 and 8, 1913, resulted in the joint suggestions by the carriers, other than the Carolina, Clinchfield & Ohio Railway and the Carolina, Clinchfield & Ohio Railway of South Carolina, as follows:

First. That the differential in favor of the Virginia mines to points on the Southern Railway in South Carolina south of Charlotte to Chester, inclusive, including Yorkville, Catawba, and Lancaster, be increased from 10 to 15 cents per ton.

Second. To points on the Southern Railway south of Chester, to and including Columbia, S. C., the differential be increased from 10 to 20 cents per ton, those changes to be made by advancing rates from West Virginia mines.

The changes suggested are not deemed by the Clinchfield representatives sufficient to bring about a proper relative differential basis. We are not persuaded by any considerations urged at the conference referred to that the differential basis heretofore suggested on behalf of the Clinchfield interests is unsound. As at present advised, it will be the purpose of the Clinchfield representatives to urge a consideration of the entire subject by the Interstate Commerce Commission and to contend for and support in some form the differential basis set forth in detail in the printed memorandum heretofore furnished to the carriers.

Yours, very truly,

(Signed) MARK W. POTTER,
President.

Mr. T. M. Emerson, president Atlantic Coast Line R. R., Wilmington, N. C.
Mr. W. A. Barber, president Carolina & Northwestern Ry., 165 Broadway, New York.
Mr. John B. Cleveland, president Charleston & Western Carolina Ry., Spartanburg, S. C.
Mr. George W. Stevens, president Chesapeake & Ohio Ry., Richmond, Va.

Exhibit No. 27, is a revised memorandum or agreement, dated December, 1906, between the Virginia & Southwestern Railway Company and the Virginia Iron, Coal & Coke, covering rates from Tom's Creek on coal to points in Carolina. I wish to state that we have no record thus far to indicate that this agreement ever became a contract between the carriers. It is, apparently, a tentative proposition from the shipper to the carrier.

Mr. THOM. Why do you call it an agreement then?

Mr. WRIGHT. I was merely reading from the heading of the paper.

Mr. THOM. You said a tentative proposition. I think you ought to correct that and say it does not appear to be an agreement, but a tentative proposition; that you merely used the word "agreement" because it is in the memorandum.

Mr. WRIGHT. I would prefer to change my first statement to harmonize with Judge Thom's question.

Mr. THOM. The agreement, I understand, is contained in the memorandum?

Mr. WRIGHT. Yes, sir. The exhibit reads as follows:

REVISED MEMORANDUM.

This agreement, made and entered into this day of December in the year 1906, by and between the Virginia and Southwestern Railway Company (hereinafter for convenience called the "Railway Company"), a corporation of the State of Virginia, the principal office of which is in the city of Bristol, in said State, party of the first part, and the Virginia Iron, Coal and Coke Company (hereinafter for convenience called the "Coal Company"), also a corporation of the State of Virginia, the principal office of which is in the city of in said State, party of the second part:

Whereas the said Railway Company has, through its connections, access to markets in the States of North Carolina and South Carolina and other points in the Southern States, and

Whereas the said Coal Company owns, or controls, a group of coal mines at or near Appalachia in the State of Virginia, and also owns or controls certain coal mines at Toms Creek in said State, and

Whereas the said Railway Company has access to the said group of mines at Appalachia and also has, by trackage rights with the Norfolk & Western Railway Company, access to the said mines at Toms Creek, and

Whereas the said rates from the said group of mines at or near Appalachia are influenced or controlled by competitive conditions, and it is now desired to settle by agreement between the parties the relation of coal rates from said points, respectively, to other points, to the extent that is hereinafter done:

Now, therefore, this agreement:

Witnesseth that for and in consideration of the premises and the mutual promises hereinafter made, and of one dollar to each of said parties in hand paid, the receipt of which is hereby acknowledged, the said railway company promises and agrees:

That for a period of —— years beginning on the ——— day of ———, 190—, the following relation of rates on coal shall apply on its lines and lines of its connections, namely:

That the rates on coal from Toms Creek to points on the Southern Railway west of its lines from Greensboro, N. C., via Winston-Salem, Barber Junction, and Mooresville to and including Charlotte, N. C., to points on the Southern Railway on and west of its line from Charlotte, N. C., via Rock Hill, Sumter Junction, Kingville, and Branchville to Charleston, S. C., to points on its Sumter Branch, and to points on the Carolina and Northwestern and Lancaster and Chester Railroad, shall, respectively, be the same as the competitive rates at the time prevailing from the Appalachia group to the same points.

And the said Coal Company promises, covenants, and agrees with the said Railway Company to give preference in all shipments from said mines to said territory that can be reached by the Virginia and Southwestern Railway Company and its connections; provided the rates offered by said company are equally as favorable to the Coal Company as those offered by any other carrier.

In testimony whereof, the parties hereto have caused these presents to be signed in their respective names by their respective ——— and their respective corporate seals to be hereunto attached, attested by their respective secretaries, this the day and year first above written.

Attest:

VIRGINIA AND SOUTHWESTERN RAILWAY COMPANY,
By ——— ———.

Attest:

VIRGINIA IRON, COAL AND COKE COMPANY,
By ——— ———.

Exhibit No. 28 is a letter from Mr. G. R. Browder, general freight agent of the Southern Railway, dated Atlanta, Ga., November 12, 1906, addressed to Mr. L. Green, freight traffic manager, on the sub-

ject of rate adjustment: Coal from L. & N. mines to the southeast via Middlesboro. The exhibit reads:

ATLANTA, GA., *November 12, 1906.*

Mr. L. GREEN,
Freight Traffic Manager.

DEAR SIR: Rate adjustment: Coal from L. & N. mines to the southeast via Middlesboro.

Referring to yours, September 30, file A instructing that we withdraw rates on coal from mines on the L. & N. to points south via Middlesboro, I note you also include in these instructions rates on coal from mines on the Stony Fork branch. I understood from Mr. Fonde in recent conversation that the Southern Railway had not definitely decided what action would be taken with respect to operation of the Stony Fork branch by the Southern Railway.

We take your instructions to refer only to coal handled from these Kentucky mines over the L. & N. rails to Middlesboro or Cumberland Gap.

Yours truly,

G. R. BROWDER,
General Freight Agent.

37—11th.

Exhibit No. 29 is letter from Mr. A. R. Smith, third vice president of the Louisville & Nashville Railroad Co., dated Louisville, Ky., September 15, 1909, file 50021, addressed to Mr. L. Green, Southern Railway, Washington, D. C.

Mr. LYON. Did that letter antedate the Andy's Ridge case?

Mr. WRIGHT. It was coincident with the Andy's Ridge matter. The hearing in the Andy's Ridge case was held at Knoxville in February, 1910.

Mr. LYON. And this letter was written on September 15, 1909, some three or four months prior to that hearing?

Mr. WRIGHT. It was. The exhibit 29 reads as follows:

[Copy.]

LOUISVILLE & NASHVILLE RAILROAD COMPANY,
Louisville, Ky., September 15, 1909.

Mr. L. GREEN,
Southern Rwy., Washington, D. C.

DEAR SIR: Your letter of September 10th, file A, regarding coal rates to Georgia railroad stations. Suggest you submit the papers to Mr. Culp as soon as he returns.

It seems to me to be the policy of the Southern Railway to force a rate war with regard to the relative coal adjustment. I now beg to formally notify you that the L. & N. R. R. Co. hereby withdraws from any understanding it may have with the Southern Railway with regard to these differentials: We will undertake to adjust our rates to Atlanta and all other points in Georgia on such basis as will enable the L. & N. R. R. mines to do a fair share of the business at these destinations.

I have set before Mr. Culp personally a great deal of data showing the unfairness of the Southern Railway's attitude in this matter.

Yours truly,

A. R. SMITH,
3rd V. PP.

Exhibit No. 30 is a letter from the third vice president of the Louisville & Nashville Railroad Co. to Mr. M. H. Smith, president of that company, dated Louisville, Ky., December 19, 1907, on the subject of "coal rates to the southeast from districts in which the Cumberland Valley and Knoxville divisions of the L. & N. R. R. are interested." The exhibit reads as follows:

LOUISVILLE & NASHVILLE RAILROAD COMPANY,
OFFICE OF THE THIRD VICE PRESIDENT,
Louisville, Ky., December 19, 1907.

M. H. SMITH, Esq., *President.*

DEAR SIR: Coal rates to the southeast from districts in which the Cumberland Valley and Knoxville divisions of the L. & N. R. R. are interested.

The rate adjustments from our Knoxville division and Cumberland Valley division mines are becoming more or less complicated, due to several conditions, viz, the rates made operative by the Southern Railway from V. & S. W. mines; the adjustment via the Southern Railway from Middlesboro district equal to that from the Jellico district; and the demands of some of the operators on the Cumberland Valley division for a competitive adjustment via the L. & N. R. R.

RATES FROM V. & S. W. MINES.

The V. & S. W. mines or base points are: Appalachia, Big Stone Gap, Imbeden, Intermont, Inman, Mud Lick, Osaka, Preacher, Rhoda, and Stonega, Va., referred to as group No. 1; and Toms Creek, Va., referred to as group No. 2.

All points in group No. 1 are reached by the L. & N. R. R.; Toms Creek is on a branch of the N. & W. Railway, a comparatively short distance east of Norton, to which the V. & S. W. Ry. has train rights.

Some years since, Mr. T. C. Powell, at that time freight traffic manager of the Southern Railway, made an adjustment of rates principally to the Carolinas, but including also a section of the southeast around Augusta, Ga., which, while unsatisfactory to some of the operators in east Tennessee, yet caused no disturbance. This adjustment by Mr. Powell was not satisfactory, however, to the V. & S. W. Ry., and the result was that in 1904 Mr. Samuel Spencer, president, made an agreement with the V. & S. W. Ry. whereby rates therefrom to the Carolinas and to a considerable portion of Georgia were made fixed differentials of 20 to 40 cents per ton higher than Coal Creek (10 to 30 cents per ton higher than from Jellico). This situation (which was created without any conference with the L. & N. officials) was reported to you under date of Dec. 23, 1904, and Nov. 2, 1905.

	Cents per ton.
At Atlanta the difference between the Jellico rate and the group No. 1–V. & S. W. rate was	10
At Augusta the difference was	25
At Macon the difference was	15
At Savannah the difference was	15
At Elberton, the difference was	10
At Gainesville, Ga., the difference was	10
At Athens, Ga., the difference was	10
At La Grange, Ga., the difference was	30

To points in the Carolinas the total rates from group 1–V. & S. W. mines seem a bit ragged as compared with the Southern Railway-Jellico rates, but from the best I can determine 10, 15, and 20 cent differentials are intended, according to location of the destination.

The resulting relative adjustment was seriously objected to by the Southern Railway operators in east Tennessee, and they sent a committee to Washington to confer with Messrs. Spencer and Finley, but the conference was without result. The matter seems to have been dropped, due entirely, I think, to the unprecedented demand for coal and the ability of the Southern Railway's east Tennessee operators to sell all they could secure cars for and cause to be moved. But should there be a serious dropping off in the demand we may look for a resumption of these people's efforts to secure a lower differential (either because of de facto competition of the V. & S. W. mines or as a means of securing lower freight rates). Such efforts may reflect to operators on our line in the same general district.

So far as concerns the actual competition of the mines in the vicinity of Norton and Big Stone Gap, I doubt if there is much, because the output there is very limited for commercial shipment, and they can not begin to supply even a limited trade or to really fix the markets at other than perhaps a few destinations. But they can, by selling contract coal to large consumers, un-

doubtedly secure contracts away from the east Tennessee operators, because all evidences show that they can put the coal on cars at mines much more cheaply than can the east Tennessee operators. For example, a mine could contract with one of the Atlanta cotton mills for a year's supply of coal and at 10 cents higher than from Jellico can undoubtedly secure the contract.

I have discussed the subject of this adjustment on a number of occasions, both in correspondence and orally, with Messrs. Culp and Green, but of course they were not in a position to modify an agreement made by their president. I know confidentially that neither Mr. Culp, Mr. Powell, nor Mr. Green have personally favored the adjustment and have known that they had hoped Mr. Finley would be willing to change it. Without knowledge positively I entertain the view that they each believe they will have trouble sooner or later with their east Tennessee operators and may have to contest the matter before the commission.

Probably, when the cut-off line from Moccasin Gap on the V. & S. W. Ry., to Bulls Gap, on the Southern Ry., near Morristown, is completed, the adjustments to points to which the short line from both the Jellico region and from the Wise County field is through Morristown and Asheville, will be defensible—indeed it will warrant from the standpoint of distance, equal rates from both fields. The distances via the Southern Railway to Morristown I figure to be:

From Jellico, 107 miles.

At present via Bluff City, 169 miles.

From Norton (proposed via Bulls Gap), 115 miles.

But where the short line to destination from Jellico field is through Cleveland (near Chattanooga) the situation is changed, and they can not, I believe, justify 10 and 15 cent differentials to that territory. I figure the distances to Cleveland to be:

From Jellico, 147 miles.

At present via Bluff City, 293 miles.

From Norton (proposed via Bull's Gap), 239 miles.

Attached is a rough sketch showing the line to Morristown, Cleveland, etc.

I have delayed reporting this matter to you, for in my talks with Mr. Green, while he made no definite promises, I gathered the impression that perhaps a revision of the V. & S. W. adjustment would take place, and at the time we were having no complaints. Have despaired of any corrective action being taken, however, at any time in the near future.

We have secured no authentic information of the plans of the South & Western Railway as concerns the coal-rate adjustment it will probably apply, except a statement of the general freight agent of the Seaboard Air Line Railway indicating that to the Carolinas, at least, it may crry Coal Creek rates. How much of a factor the road may be in north and east Georgia is problematical.

ADJUSTMENT FROM CUMBERLAND VALLEY AND KNOXVILLE DIVISION MINES.

Prior to construction of L. & N. lines south of Jellico, the only coal mine development was that of the Southern Railway mines north of Knoxville, and of course that line fixed the adjustment. Adopting Jellico as the basic point, it established rates from mines south thereof as follows:

South to Elk Valley, same as Jellico.

South to Block, 5 cents under Jellico.

Careyville and south, 10 cents under Jellico.

It also applied Jellico rates from certain L. & N. mines in the vicinity of the latter point where the L. & N. charged for switching not exceeding $2 per car.

From its K. C., G. & L. branch it published rates from Middlesboro proper (although there are no mines in the town) the same as from Jellico and absorbed the cost of switching to its rails from the mines in the immediate vicinity.

When the L. & N. established its line and connections for the handling of coal from this territory (after the failure of all efforts to induce the Southern Railway to establish uniform rates with Jellico from its mines south thereof) it adopted the rates of the Southern Railway from Jellico and established differentials from mines south thereof about as applied from opposite mines on the Southern Railway. It also established rates from all other mines on the Knoxville division and Kentucky division north of Jellico and from Cumberland Valley mines as far east as Middlesboro.

The relative adjustment at present is as follows:

Jellico	Basis.
All mines between Corbin and Trevilion, inclusive, including Clear Fork, Wilton, Halsey, and Saxton-Jellico branches	Same as Jellico.
Mines, Kimberly to La Follette, inclusive, and Hog Camp branch	5 cents under Jellico.
Mines, Vesper and south, including Cow Creek branch	10 cents under Jellico.
Mines north of Corbin to Brush Creek on the Kentucky division, Pine Hill on the Lebanon division, and including Altamont and Manchester, Pitman and Brush Creek branches	10 cents over Jellico.
Cumberland Valley mines, Siler to C., R. & T. junction, including Chenoa, Bell Jellico, Four Mile, and Straight Creek branches	Same as from Jellico.
From mines in the vicinity of Middlesboro, namely, Excelsior, including those on the Middlesboro Railroad and its branches	10 cents over Jellico, except to certain local stations to which the differential is 5 cents.

A rough plat showing both L. & N. and Southern Railway grouping is attached.

In explanation of the seeming inconsistency in charging 10 cents higher than Jellico from all mines on the Kentucky division north of Corbin, whereas on the Cumberland Valley division and branches we make same as Jellico from all mines west of Middlesboro (the maximum haul to Corbin being 46 miles), I beg to say that a compensating differential of 10 cents under Jellico is given from Kentucky division mines to Cincinnati, etc., whereas the Cumberland Valley mines pay the same as Jellico.

The reason for not making the same rate from Middlesboro district as does the Southern Railway, as you know, is because the Southern Railway has only a slightly greater service to perform up to Knoxville from this district than it has from Jellico, because of its apparent willingness to handle the traffic, and because of our expensive service and the congestion on the route. The Southern Railway has placed its cars on the Middlesboro Railroad (proper) and handled the business thence with its own engines and crews. It has for some time also competed for the coal originating on the Stony Fork branch, absorbing the low charge assessed by the L. & N. R. R. up to Middlesboro proper. Some time since the former stopped the supply of cars on the Stony Fork branch, resulting in the demand from some miners thereon that the L. & N. R. R. Co. accord them the same rates as competitors located on the Middlesboro Railroad on the opposite side of the mountain could secure from the Southern Railway. See your correspondence with the Sagmore Coal Co., Mr. A. M. Chamberlain, general manager.* This demand was removed by the Southern Railway agreeing to resume the supply of cars at the Stony Fork mines and to continue the application of their Middlesboro (i. e., Jellico) rates therefrom, and we may consider, for the time at least, that the Middlesboro situation is in good shape.

From mines east of Middlesboro we carry no through basis of rates to Knoxville and south (except in so far as our local tariff may affect stations on our own rails). From the group of mines at the eastern end of the Cumberland Valley division—i. e., in the vicinity of Appalachia and Norton—we have not had any demand for rates over our rails, the output seeming to be taken care of by the V. & S. W. Ry. in connection with the Southern Railway, and it is quite likely we will not be called upon at any time in the future to afford said mines a market southward.

The developments in the Black Mountain region around Pennington Gap are becoming large, and these people have told us that they can not find a sufficiently satisfactory market northward for their entire output, and they are demanding that we give them an adjustment of rates to points south of Knoxville and to the mills region in the southern portion of South Carolina (say, roughly, south of a line drawn east and west through Columbia) on a differential basis as compared with the region west of them. Their specific request has been for a differential of 10 cents higher than the Southern Railway's

rate from Middlesboro—which, in effect, is 10 cents higher than we are operating from our mines west of Middlesboro and from the Jellico region—claiming that if we can afford to handle coal from the Pineville district at the Jellico rate we can afford to accept 10 cents higher from Pennington, an additional distance of about 50 miles. We have practically "stood them off," hoping they could satisfactorily dispose of their product northward; the hard transportation conditions have been fully explained to them, and that we doubted our ability to actually handle the traffic, having in mind the seriously congested condition of the road.

We must consider the matter, though, and give them a final and definite answer, especially so as the mines are beginning to hunt for business and there will probably be keen competition where the rate and price factor will be the consideration in making sales. While they will have an outlet via the V. & S. W. Ry., they desire to confine their shipments via that line to the Carolinas.

We have had from the Pennington group a nominal adjustment, consisting of 50 cents to Middlesboro or Cumberland Gap plus Southern Railway's charges thence and a more practical one of 20 cents to Intermont and the same rate thence as assessed by the V. & S. W. from that point.

The distance from Pennington to Corbin is 88 miles; to Middlesboro, 44 miles; the distance from the mines via the V. & S. W.'s Black Mountain extension is about 16 or 17 miles; the V. & S. W. service as to distance, therefore, is about the same as from Norton.

Supt. Hollingsworth in July last informed me that the actual transportation cost of handling coal from Pennington to Middlesboro, including terminal expenses at Pennington, but not at Middlesboro, and the switching from mines to Pennington yard he estimates to be 5.1 cents per ton.

Am advised that the Barr-Dulaney people are dissatisfied with their adjustment via the V. & S. W. Railway and are resisting it as to Carolina destinations, asking for Middlesboro rates. I presume the Southern Railway will grant them at least the Norton, or group 1, rates.

Should we grant Pennington a differential of 10 cents over L. & N. rates from Middlesboro (20 cents over Jellico) we will have higher totals therefrom to such points as Atlanta, Macon, etc., but 5 cents less to Augusta than from group 1—V. & S. W. mines—yet I think such differential as reasonable a one as we can be expected to make. Should like our advices or instructions in the premises.

Perhaps I should add that, according to the operators' claim, the mining cost in Black Mountain operations is near that of the Jellico-Coal Creek region and higher than in Wise County, Va.

Although the matter had been in hand prior to suggestion from you, the latter was followed up, and we are able to get the slight advance of 5 cents per ton in the base rates to competitive territory south of Knoxville, although here and there there were some exceptions made, i. e., no advance at all or amounts in excess of 5 cents, to bring about proper terminal relative adjustments. In addition, we secured some revision from mines on the N., C. & St. L. and Cincinnati Southern to Chattanooga and one or two other points, which brought about a better relation as between the mines. In each instance the latter readjustment was by process of advances. We have tried to secure some more substantial increases but have been unsuccessful because of the views of the Southern Railway and other lines. We were totally unsuccessful in securing any advances to Knoxville, the Southern Railway being evidently afraid of the situation at that point and of the order of the Tennessee Railroad Commission.

Yours truly,

(Signed) A. R. SMITH, R.,
Third Vice President.

Dict.

Mr. LYON. Generally speaking, that letter refers to the shipment of coal from the Black Mountain field via Pennington, through Cumberland Gap and Middlesboro, to this territory south of Knoxville?

Mr. WRIGHT. It does. From the viewpoint of the third vice president of the Louisville & Nashville Railroad, in charge of traffic.

Mr. LYON. That letter refers to its discussion via the Louisville & Nashville rails to Corbin, and not via Cumberland Gap and the Southern Railway to Knoxville?

Mr. WRIGHT. No.

Mr. LYON. The longer route.

Mr. WRIGHT. The statement of the highest official of the Louisville & Nashville Railroad that a fair differential in the Black Mountain district is 10 cents higher than the rates from Middlesboro to Atlanta territory, and in a confidential communication to his chief is the essence of the question.

Mr. LYON. Is there anything further now?

Mr. WRIGHT. Exhibit No. 31 is a letter from Mr. N. W. Proctor, commerce attorney of the Louisville & Nashville Railroad Co., dated Louisville, Ky., December 4, 1913, addressed to Mr. C. B. Compton, freight traffic manager of the same line, headed "Rates on bituminous coal, Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North and South Carolina, Georgia, and Florida—I. C. C. Docket No. 6324."

EXHIBIT 31.

LOUISVILLE & NASHVILLE RAILROAD CO.,
LAW DEPARTMENT,
Louisville, Ky., December 4, 1913.

Rates on bituminous coal from Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North and South Carolina, Georgia, and Florida—I. C. C. Docket No. 6324.

Mr. C. B. COMPTON,
Freight Traffic Manager.

DEAR SIR: I believe Mr. Boyd has furnished you a copy of his letter to me of December 1 with respect to this complaint. To complete your file, I hand you herewith a copy of my letter of November 19 to Mr. Boyd.

I desire to call your particular attention to that portion of my letter reading as follows:

"We should show clearly and in detail the practical and controlling reasons for our action in establishing rates from mines on this road to Atlanta and other points lower than from the Black Mountain field or southwest Virginia mines east of Cumberland Gap, and, if possible, we should demonstrate and convince the commission that those reasons are sound and should be allowed to control. Just what they are, I am not myself advised, but doubtless you are."

And to Mr. Boyd's reply, as follows:

"This adjustment was made by either our third vice president or freight traffic manager, and the information desired will have to be secured from them. Please obtain it."

Also to that portion of my letter reading:

"If, on the other hand, you are not, in your own mind, able to satisfactorily justify this difference or this adjustment, then I respectfully suggest that you and I, or you alone, should consult with Mr. Compton and Mr. Smith, asking for suggestions and assistance."

And to Mr. Boyd's reply, viz:

"For the reasons stated above, I think Mr. Compton or Mr. Smith should be consulted relative to this matter, and will be glad if you will talk with them as I am now busy working on this case, securing such data as I can."

Under the circumstances the fact that the adjustment of rates from Wasioto and Black Mountain mines versus Black Mountain group mines is at least apparently difficult of convincing explanation and successful defense, and the fact that neither Mr. Boyd nor myself is advised of the facts and reasons and arguments that should be relied upon in such defense, do you think it would be advisable for you or Mr. Smith, or both you gentlemen, to give Mr. Boyd and myself a conference to the end that we may be properly coached?

Yours truly,

(Signed) N. W. PROCTOR,
Commerce Attorney.

Mr. LYON. Who is Mr. Boyd?

Mr. WRIGHT. Mr. C. D. Boyd is general freight agent of the Louisville & Nashville Railroad at Knoxville, Tenn.

Senator POINDEXTER. What rate was he referring to as being difficult of defense—the Louisville & Nashville rate?

Mr. WRIGHT. Louisville & Nashville rates from the Black Mountain district to the south, as compared with the rates from the mines across the range at Harlan-Ages. I want to state for those gentlemen that I was present at the hearing last June in Charlotte, N. C., and they put in some 25 or 30 exhibits in defense of the rates which, on December 4, 1913, he advised his traffic manager were difficult to defend.

Mr. THOM. As I understand, that is the confidential, preliminary conference between a lawyer and his client as to a case about which he was not fully advised, and now that is brought here and the final defense they made in the case itself should naturally and justly, it seems to me, be brought in also.

Mr. LYON. Was not that the question involved—rates from the Black Mountain field via Cumberland Gap and Middlesboro, via Corbin to the south, to Atlanta?

Mr. WRIGHT. It was.

Mr. LYON. Compared with the rates from those on what is known as the Wasiota branch of the Louisville & Nashville Railroad through Orby and Corbin to the same destination?

Mr. WRIGHT. It was.

Mr. RIXEY. Were not the rates you were asking for not via Orby and Corbin but via the Louisville & Nashville Railroad through Cumberland Gap?

Mr. LYON. We are asking both ways.

Mr. RIXEY. What you were contending for was the opening of the Cumberland Gap route?

Mr. LYON. I can go into that case if you want me to. I asked Mr. Wright compared with those on what is known as the Wasiota branch of the Louisville & Nashville Railroad through Orby and Corbin to the same destination. Of course the shipper has no preference which way the coal moves. They can ship by way of Chicago if they want to.

Mr. RIXEY. You simply asked Mr. Wright if that correspondence did not relate to the Corbin route?

Mr. LYON. Yes.

Mr. RIXEY. Mr. Wright, is there anything further?

Mr. WRIGHT. Exhibit No. 32 is a letter from C. B. Compton, traffic manager of the Louisville & Nashville Railroad, dated December 23, 1904, addressed to President M. H. Smith of that company. That is the earliest communication in this testimony. The exhibit reads as follows:

EXHIBIT 32.

OFFICE OF TRAFFIC MANAGER,
Louisville, Ky., December 23, 1904.

Mr. M. H. SMITH, *President.*

DEAR SIR: The Virginia & Southwestern Railroad, in connection with the Southern Railway, have established a tariff of coal rates applying from Appalachia and Inman to points in Georgia and North and South Carolina. Said rates are made differentials higher than the rates from Coal Creek by 20, 25, 30, and 40 cents per ton.

The business is handled by the Virgina & Southwestern Railroad and delivered to the Southern Railway at Bluff City.

The Virginia & Southwestern Railroad is allowed 50 cents per ton to Bluff City, the Southern Railway accepting the remainder.

We would have under this basis the following comparison of rates, using Atlanta to illustrate, to which point the differential is 20 cents:

From to Atlanta:	
Coal Creek	$1.30
Jellico	1.40
Stonega	1.50
Inman	1.50

The Southern Railway therefore on this business accepts $1 per ton from Bluff City to Atlanta, or 30 cents per ton less than it receives on coal from its own mines at Coal Creek, and hauls the business practically as great a distance as from its own mines.

Where the differential Appalachia over Coal Creek is 20 cents the Southern Railway receives 30 cents less revenue from Bluff City than from Coal Creek.

Where the differential Appalachia over Coal Creek is 25 cents the Southern Railway receives 25 cents less revenue from Bluff City than from Coal Creek.

Where the differential Appalachia over Coal Creek is 30 cents the Southern Railway receives 20 cents less revenue from Bluff City than from Coal Creek.

Where the differential Appalachia over Coal Creek is 40 cents the Southern Railway receives 10 cents less revenue from Bluff City than from Coal Creek.

I attach hereto a map showing the differentials on coal from V. & S. W. mines and Coal Creek to common and junction points in North and South Carolina and Georgia.

I also attach a statement showing the rates from Coal Creek, Jellico, and Big Stone Gap district, in comparison to various other points of destination.

A selling company has been formed known as the Virginia Bituminous Coal Co., Mr. Guy Dorst, manager. Mr. Dorst is connected with the V. & S. W. R. R. The other partner in the concern is the Stonega Coal & Coke Co., of which Mr. D. B. Wentz is president.

I understand there has been much dissatisfaction expressed by the coal operators on the Knoxville and Ohio division of the Southern Railway because of this adjustment. A committee recently visited Washington with a view of having the rates withdrawn, but they were unsuccessful in their efforts. The Southern Railway informed them that they were not prepared to make any change.

I have had a talk with General Freight Agent Green of the Southern Railway at Atlanta about the matter, and he stated that he thought the basis was wrong but that it had been given to him to carry out. I asked Mr. Green why the basis was made effective and he said it was upon instructions from Mr. Spencer and Mr. Finley, and was done to prevent the extension of the V. & S. W. R. R.

I understand no complaint has been made at Middlesboro. The Southern Railway takes all coal mined at that point for its own use.

It seems to me this is not a fair basis for constructing total rates. It is, according to information given me by Mr. Hywell Davies in a recent conference, causing the loss of a very considerable amount of business to Knoxville and Ohio mines, and displacing their coal, especially for steam purposes.

I understand also there is complaint on the part of the N. & W. and C. & O. roads, because of the effect it has on the rates to the upper Carolinas and the movement via the N. & W. and C. & O. roads.

Rates from Knoxville, LaFollette, and Jellico railroads to southeastern territory are the same as from opposite stations on the Knoxville and Ohio division of the Southern Railway.

To what extent our interests will be affected by this adjustment is, of course, unknown. I think we should, after the completion of our line, watch the matter very closely to see to what extent our interests will be affected.

Yours, truly,

(Signed) C. B. COMPTON,
Traffic Manager.

That completes that line of testimony in reference to the maintenance of rates by agreement.

Mr. LYON. Does the Mobile & Ohio make rates to southeastern ports on coal?

Mr. WRIGHT. It does. From the Alabama territory around to Tuscaloosa and Holt, and that section.

Mr. LYON. To what destination?

Mr. WRIGHT. To Jacksonville, Fernandino, New Brunswick, Savannah, and Charleston.

Mr. LYON. I believe the annual report of the Southern Railway shows that the Mobile & Ohio is owned by the Southern Railway, or the stock of it?

Mr. WRIGHT. It is testified to; or, rather, it is contained in Mr. Harrison's exhibit put in in the previous hearing.

Mr. LYON. It is stated in Mr. Harrison's testimony that the Mobile & Ohio Railroad is one of the subsidiaries of the Southern Railway, I understand?

Mr. WRIGHT. It is.

Mr. LYON. Will you please state what this paper is which I now hand you, and mark it as an exhibit?

Mr. WRIGHT. This is an offer of the Southern Railway, dated June 30, 1901, addressed to the general mortgage bondholders and stockholders of the Mobile & Ohio Railroad Co., offering to exchange for the Mobile & Ohio general mortgage 4 per cent bonds Southern Railway collateral trust bonds, bearing the same rate of interest, and to exchange for the stock of the Mobile & Ohio Railway stock trust certificates issued by the Southern Railway entitling the holder to receive in perpetuity in gold coin of the United States in semi-annual installments a sum equal to the dividends upon the deposit of the stock from April 1, 1901, at the rate of 4 per cent per annum, excepting that such payment for the first year shall be at the rate of 2 per cent per annum, and for the second year shall be at the rate of 3 per cent per annum.

The CHAIRMAN. That deals with the Mobile & Ohio?

Mr. LYON. Yes, sir. As I understand, that is some of the $68,000,000 invested by the Southern Railway Co., and that road participates in coal rates to the South Atlantic ports.

The CHAIRMAN. Which rates would it participate in?

Mr. LYON. Separate rates to Charleston, Savannah, Fernandina, and other points. It moves by way of Tuscaloosa.

The CHAIRMAN. How would the Mobile & Ohio be utilized in carrying coal to South Atlantic ports?

Mr. LYON. To the Birmingham district.

The CHAIRMAN. Over the Mobile & Ohio.

Mr. LYON. Not all the way over.

Mr. WRIGHT. Over the Mobile & Ohio, to Montgomery from Birmingham. It makes rates with the Atlantic Coast Line, the Seaboard Aair Line to Montgomery, and probably is able to move its coal into Florida over the Southern Railway.

The CHAIRMAN. The Atlantic Coast Line has a direct road from Birmingham to Florida points, has it not?

Mr. RIXEY. The Southern Railway goes direct from the Birmingham district to Florida points.

Mr. WRIGHT. The Southern Railway is one of the long lines handling coal from the Birmingham district to Florida. The short

mileage would be via the Central of Georgia, Atlantic Coast Line, and probably a connection with the G. S. & F. at Valdosta.

Mr. RIXEY. From what point to where?

Mr. WRIGHT. Birmingham district to Florida.

Mr. LYON. There is no question about the other railroads making rates from Birmingham. The question is whether the Mobile & Ohio joins in making coal rates from the Birmingham district to southeastern Atlantic ports.

Mr. WRIGHT. I am not going into that very far.

Mr. THOM. I want a ruling from the committee as to whether or not the Mobile & Ohio is involved in connection with this inquiry?

The CHAIRMAN. When did it purchase this stock of the Mobile & Ohio?

Mr. THOM. About 1901 or 1902; somewhere along there.

Senator POINDEXTER. Does the Mobile & Ohio, or the Southern in connection with the Mobile & Ohio, make export rates on coal from Mobile for export?

Mr. WRIGHT. From Mobile; yes, sir.

Senator POINDEXTER. What is the export rate from Birmingham by way of Mobile?

Mr. WRIGHT. $1.

Senator POINDEXTER. Do you know what market it supplies and where it is marketed?

Mr. WRIGHT. To-day I do not. There has been a very large movement of Alabama coal through the Gulf ports to the Mexican railroads, a movement organized by the Louisville & Nashville, which built ships for that purpose.

Senator POINDEXTER. Have you looked into that question of the division of the foreign markets between the various coal interests, and whether there is any such division or not; and if so, what it is?

Mr. WRIGHT. We have gone into that fairly deep, but have not finished the investigation. As far as we have gone we see no evidence of a division of the foreign-market territory between the American producers or American carriers. We wish to refer to that a little later in the proceedings.

Senator POINDEXTER. If that is true, then the Birmingham coal district has a very great advantage over the Virginia, Kentucky, Tennessee, and West Virginia districts, has it not, in exporting coal?

Mr. WRIGHT. It has under existing conditions a decided advantage.

Mr. LYON. There is no export rate from Birmingham to the South Atlantic ports on coal?

Mr. WRIGHT. There is none.

Mr. THOM. I want the ruling of the committee as to whether the Mobile & Ohio's affairs are to be gone into.

The CHAIRMAN. This is preliminary.

Mr. LYON. Is the $1 rate from Birmingham to Mobile strictly an export rate or is it a local rate applicable on all business?

Mr. WRIGHT. From Birmingham to Mobile the rate is $1.10 local and $1 for export.

Mr. THOM. That is a net ton?

Mr. WRIGHT. Net ton.

Mr. THOM. That does not compare with the $1.40 rate which is the gross ton?

Mr. WRIGHT. That is true.

Mr. THOM. It compares with the $1.25 rate, which is net ton where the $1.40 applies.

The CHAIRMAN. You mean by "gross ton" the long ton?

Mr. THOM. Two thousand two hundred and forty pounds.

Senator POINDEXTER. What do you call net ton?

Mr. THOM. Two thousand pounds

The CHAIRMAN. State for what purpose you now intend to give testimony with reference to the Mobile & Ohio?

Mr. LYON. The purpose of that is to question whether the money expended by the Southern Railway in buying up the stocks of other railroads, subsidiaries, has been a paying investment and whether it leaves them a proper means to develop their other lines.

The CHAIRMAN. Do you mean to take the position that the purchase of the stock of the Mobile & Ohio was simply for the purpose of controlling the coal supply or output in any way, or do you mean simply to undertake to raise the question of whether it was a wise investment, independent of any coal supply?

Mr. LYON. It is for the latter question. I would not say whether it was wise or not, but the record will show that it is a burden on the Southern Railway.

The CHAIRMAN. Has it anything to do with the control of the coal situation?

Mr. LYON. I do not know that we have any evidence on that, except what may be inferred from the route from Birmingham to Mobile. It was used for the other purpose that the Southern has loaded themselves up, like many other roads, with—a lot of useless carriers.

The CHAIRMAN. But the Mobile & Ohio, which was purchased, is not the line on the map running from Birmingham to Mobile, or does not form any part of it?

Mr. LYON. Not this particular red line here on the map, but they have a railroad from Birmingham to Mobile, have they not, Mr. Wright?

Mr. WRIGHT. The Mobile & Ohio runs from St. Louis to Mobile, and has a branch into Montgomery, Ala., from Artesia, Miss.; and it also has a branch, or rather trackage rights, through Haleyville into Birmingham.

The CHAIRMAN. The Mobile & Ohio does not go through coal territory at all?

Mr. WRIGHT. To the South Atlantic coast?

The CHAIRMAN. Yes.

Mr. WRIGHT. Yes, sir; it is a competing line. It is a factor in that situation.

The CHAIRMAN. It only runs from Artesia, Miss., to Montgomery?

Mr. WRIGHT. To Montgomery, and taps the Warrior coal field at a point called Tuscaloosa, Ala., and Holt, Ala., and has through rates via Montgomery into Florida territory and up as far as Charleston.

Mr. THOM. Is it not a fact that at the time the Southern Railway acquired its interest in the Mobile & Ohio it had no connection whatever with the coal fields, and that this trackage arrangement you

llude to has been obtained since the Southern has become interested n the line?

Mr. WRIGHT. Let me understand you. Is the question that the ine into Montgomery, through the coal fields, did not exist at the ime the Southern purchased the Norfolk & Western?

Mr. THOM. He spoke of the trackage rights that the Mobile & Ohio had into the Birmingham coal districts. My question was, was not that acquired after the Southern Railway obtained the Mobile & Ohio, and at the time that the Southern Railway did acquire its interest in the Mobile & Ohio it did not have that connection into the Birmingham coal district?

Mr. WRIGHT. I have a map here which will demonstrate the whole thing. The line into Birmingham through Haleyville is of recent construction, during the last five or six years.

Mr. THOM. Since the Southern obtained the Mobile & Ohio?

Mr. WRIGHT. Since the Southern obtained the Mobile & Ohio. The The line into the Warrior coal field from Arestia, or West Point, Miss., to Montgomery, Ala., was built by the Mobile & Ohio Railroad before it was purchased by the Southern Railway, and the competition in Birmingham coal to the southeastern ports was initiated by the Mobile & Ohio Railroad before it was absorbed.

Mr. LYON. From the Warrior field?

Mr. WRIGHT. From the Warrior field. Judge Thom is correct as regards the line from Johnson, Tenn., into Birmingham through Haleyville.

Mr. LYON. In other words, they have gone more extensively into the coal fields since the Southern acquired the Mobile & Ohio?

Mr. WRIGHT. I believe that if the chairman will look at this map the controlled lines of the situation will clear up. The Mobile & Ohio is shown in blue.

The CHAIRMAN. As I understand Mr. Lyon, he does not contend that there was any effort to control rates in that territory; it was not the purpose in purchasing the stock of the Mobile & Ohio to control coal rates in any way.

Mr. LYON. I would not in any case go that far. I might have my own inference as to why a railroad buys stock in another one. I have had no idea that the Southern Railway did purchase stock in the Mobile & Ohio as an investment, like an outsider would, but I take it they bought stock of the Mobile & Ohio for some desire to control rates, not any improper desire, but a perfectly proper one, possibly. But that question can only be a matter of assumption or inference; there is nothing on record to show anything of that kind that is accessible. They do penetrate a coal field, they do haul coal to the port of Mobile, and they do haul coal and participate in the rates to the South Atlantic ports, the Warrior field being part of the Birmingham district.

Mr. WRIGHT. It is the same coal field?

The CHAIRMAN. The Mobile & Ohio is a coal-carrying road after it strikes Alabama, going down to tidewater?

Mr. LYON. Yes, sir.

The CHAIRMAN. And actively engaged in carrying coal?

Mr. WRIGHT. Both to the South Atlantic ports and to the Gulf ports it is a coal-carrying road from the Birmingham district.

Mr. LYON. There is not much coal carried to the South Atlantic ports from many of the Alabama fields, but, so far as I understand, the Mobile & Ohio does participate in that movement. Is that correct?

Mr. WRIGHT. Yes.

Senator POINDEXTER. Do you include in that the Gulf ports?

Mr. LYON. I should have said the southeastern Atlantic ports. I presume possibly the witness can answer that the exports through the port of Mobile are large, are they not?

Mr. WRIGHT. On coal?

Mr. LYON. Yes.

Mr. WRIGHT. I am not advised to-day. We are preparing an exhibit covering the latest data on that.

Mr. LYON. That information can be gotten from the records of the railroad.

Mr. WRIGHT. We are preparing that now.

Mr. THOM. Your honor, this is the proposition of counsel, as I understand it: The proposition of counsel is, as announced to the committee here, that he proposes to go into this investment that the Southern Railway has made in the Mobile & Ohio Railroad for the purpose of showing that it was an unwise and improper investment, and has crippled the financial resources of the Southern Railway in respect to affording facilities from the coal fields. It also appears that the Mobile & Ohio runs into the Alabama coal fields. So far as that fact goes, of course that does not tend at all to sustain the proposition that the Southern Railway is bottling up the coal fields on that road. In that aspect of the case under the ruling of the committee, made here on Friday, that whenever they got hold of a road that actually ran into the coal fields there could be no investigation from the standpoint of this resolution, in that they were actually in there handling coal, and you would not go into the financial status of such roads as that; but as to roads where the claim and charge was that they were bought up for the purpose of keeping them from going into the coal fields, you would. That, as I understand, is the proposition made; and my idea is that these questions violate the ruling already made by the committee as to the scope of this inquiry.

The CHAIRMAN. I do not think we care to go into the investment of the Mobile & Ohio.

Mr. LYON. Mr. Wright, in opening your testimony you filed Exhibit A, which shows the rate per ton-mile on bituminuous coal and also on all freight, and I believe it was on that exhibit that the question was raised upon which the committee has passed, that these matters may be gone into. I think you did not complete your statement there as to the rate per ton-mile on the Southern Railway on coal as compared with rate per ton-mile on other railroads in the southern district and as that term is used in the Interstate Commerce Commission reports. I wish, just to get it in the record, you would state the rate per ton-mile on the Southern Railway as compared with the several districts and with the southern district.

Mr. WRIGHT. The Interstate Commerce Commission's annual report for 1913, page 44, shows the average receipts per ton-mile on all freight to be——

Mr. THOM. I did not understand that was the ruling of the committee, that we could go into the rates on all freight.

Mr. LYON. I certainly thought that was.

The CHAIRMAN. I think this is already in.

Mr. LYON. I am simply going to call attention, then, to the rate per ton-mile on coal. I am indifferent whether it relates to all freight at this time.

Mr. WRIGHT. From the Twenty-sixth Annual Report of the Interstate Commerce Commission for the year ending June 30, 1914, page 44, class 1, I take the following:

Average receipts per ton per mile on bituminous coal for the year 1913: Eastern district, 4.04 mills per ton per mile; southern district, 3.99 mills per ton per mile; western district, 6.53 mills per ton per mile; all districts of the United States, 4.33 mills per ton per mile; Southern Railway, 5.95 mills per ton per mile. Southern Railway excess over class 1 roads in southern district, 1.96 mills per ton per mile, or 49 per cent. In all districts, 1.62 mills per ton per mile, or 47.4 per cent.

Mr. THOM. The interpolation I am now about to make has no reference to this question and answer that have just been given, but it has reference to the ruling made a moment ago in regard to the Mobile & Ohio. I think, to clear up the record, that the reference made by the witness (which will be found on p. 543 and following) to the investment made by the Southern, amounting to $68,191,368.85—which relates, as Mr. Lyon states, to the Mobile & Ohio—should be excluded from the record so that we shall not have to cross-examine or bring in evidence in regard to it.

The CHAIRMAN. That is the Mobile & Ohio?

Mr. LYON. That portion of it that relates to the Mobile & Ohio.

Mr. THOM. There is no showing what portion is the Mobile & Ohio and what is not, and therefore my motion is to reject the whole of it. Of course, if any part of it is in connection with roads your honors are considering, that can be brought in and made clearer; but inasmuch as it is not distributed between those roads, my motion is to reject that from the record, and any portion of it that these gentlemen, under the rules of the committee, are at liberty to bring in they can bring in.

The CHAIRMAN. You are limiting your motion as to any testimony as to the Mobile & Ohio?

Mr. THOM. I am limiting my motion to the whole sum of $68,000,000 and odd, because there is nothing in there to indicate how much of that is the Mobile & Ohio.

Mr. LYON. Is not that indicated by Mr. Harrison's statement?

Mr. THOM. My motion is to exclude that from Mr. Wright's testimony, and if there is anything to be brought in on the score of these other roads, that can be made specific so we can all understand it; otherwise we shall have to go into that whole subject of that $68,000,000.

The CHAIRMAN. I do not think so, Col. Thom, because Mr. Harrison's statement shows what roads the Southern is interested in and what the investment in each road is worth.

Mr. THOM. Yes; but that phase of it given by this testimony will, of course, require a reply if you are going to leave it in there.

The CHAIRMAN. As I understand, what Mr. Wright did was to take the testimony of Mr. Harrison and add up the investments of the Southern Railway, which he said amounted to $68,000,000. Now, your motion is to strike out the whole of the $68,000,000, because—

Mr. THOM. No; that is not my motion; it is to take out Mr. Wright's testimony on the subject.

The CHAIRMAN. This does not seem to me to lead to any difficulty, because the committee can very easily determine what the investment is, and so can anybody else, as to the roads concerning which we are interested. Mr. Harrison has shown in detail what the investment in each of the roads in which the Southern is interested amounts to.

Mr. THOM. I move that we strike out so much of that as relates to the Mobile & Ohio.

Mr. DOUGLAS. There will be no objection to that.

The CHAIRMAN. There is no objection to that, I think.

Mr. THOM. That is done, then?

The CHAIRMAN. Yes.

Mr. LYON. Now, Mr. Wright, I wish you would look at the paper I now hand you and file it as Exhibit No. 33 to your testimony, giving the rates per ton-mile on coal on the Southern Railway, 1908 to 1914.

Mr. WRIGHT. As reported by the Interstate Commerce Commission?

Mr. LYON. As reported by the Interstate Commerce Commission.

(The statement here introduced is as follows:)

EXHIBIT No. 33.

Southern Railway ton-mile rate on coal, from Interstate Commerce Commission records:

	Mills.		Mills.
1908	6.44	1912	5.85
1909	5.96	1913	5.95
1910	5.62	1914	6.18
1911	5.71		

Mr. LYON. I also ask you to file, as Exhibit No. 24 to your testimony, a statement prepared from the records of the Interstate Commerce Commission, showing the tons of bituminous coal carried by the railroads named during the years ended June 30, 1904, to June 30, 1914, inclusive, as shown in their annual reports to the Interstate Commerce Commission. This statement covers the Southern; the Louisville & Nashville Railroad; the Chesapeake & Ohio Railway; the Norfolk & Western Railway; the Illinois Central; the Baltimore & Ohio; the Pennsylvania Railroad; the Pennsylvania Co.; the Pittsburgh, Cincinnati, Chicago & St. Louis; the Cleveland, Cincinnati, Chicago & St. Louis; the Pittsburgh & Lake Erie; and the Philadelphia & Reading. The purpose of that is to show the growth of the handling of coal business on roads through the South, those that

participate, that are known as coal roads at all, and the roads from the East to the Mississippi River. That is all.

(The statement here introduced is as follows:)

EXHIBIT No. 34.

Statement showing the number of tons of bituminous coal carried by the roads named during the years ended June 30, 1894 to 1914, inclusive, as shown in their annual reports to the Interstate Commerce Commission.

Year.	Southern Ry. Co.	Louisville & Nashville R. R. Co.	Chesapeake & Ohio Ry. Co.	Norfolk & Western Ry. Co.	Illinois Central R. R. Co.	Baltimore & Ohio R. R. Co.
1914	8,686,786	11,909,561	18,846,473	23,221,742	12,145,945	32,270,622
1913	8,526,232	11,369,080	16,031,958	21,160,532	10,488,614	31,805,543
1912	8,568,058	10,960,398	17,809,931	19,829,568	8,608,659	29,984,857
1911	7,881,993	10,118,775	15,392,560	15,467,781	8,153,032	27,297,482
1910	7,408,914	9,930,925	15,073,292	13,986,054	8,652,760	26,970,689
1909	6,312,592	7,318,815	12,397,637	10,956,771	9,326,068	20,956,585
1908	6,485,815	7,432,101	10,502,978	9,683,050	8,588,930	21,791,339
1907	6,615,408	7,577,468	9,896,746	9,361,738	8,515,335	22,986,520
1906	6,356,510	[2] 6,817,215	9,405,101	9,483,979	8,072,727	22,006,181
1905	6,114,313	[2] 5,913,715	7,780,895	8,158,733	7,749,629	20,125,514
1904	6,215,453	[2] 5,395,433	6,095,025	6,788,190	7,651,594	18,652,756
1903	6,021,230	[2] 4,804,035	3,903,269	6,233,542	7,326,338	17,165,283
1902	5,241,771	[2] 4,816,149	5,470,150	5,538,313	6,151,110	16,297,087
1901	4,401,573	[2] 4,141,232	5,027,949	4,890,317	5,717,792	13,346,700
1900	3,519,788	[3] 4,609,902	4,135,570	4,477,532	5,239,463	10,779,165
1899	2,999,372	[3] 3,789,638	3,541,121	4,001,308	4,388,427	9,696,789
1898	2,477,963	[3] 3,675,359	3,602,930	3,664,191	4,045,777	8,062,543
1897	2,056,920	[3] 3,119,886	2,635,590	3,052,682	3,037,446	7,318,907
1896	2,185,860	[3] 2,973,214	2,937,143	[4] 1,647,228	3,109,343	6,445,417
1895	1,812,689	[3] 2,649,738	2,846,311	[5] 3,209,952	2,169,403	5,751,248
1894	(1)	[3] 2,396,854	2,142,059	[5] 2,952,895	2,327,466	4,808,756

Year.	Pennsylvania R. R. Co.	Pennsylvania Co.	Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co.	Cleveland, Cincinnati, Chicago & St. Louis Ry. Co.	Pittsburgh & Lake Erie R. R. Co.	Philadelphia & Reading Ry. Co.
1914	50,354,788	45,523,088	17,265,894	10,933,781	11,459,147	18,743,317
1913	47,622,758	47,842,079	19,730,702	10,987,222	12,322,285	16,115,418
1912	45,394,474	40,918,553	18,132,996	10,602,250	11,024,899	14,806,223
1911	40,679,894	36,404,975	16,141,927	9,565,188	10,759,524	13,848,190
1910	40,808,323	35,856,107	14,858,720	9,017,254	10,592,680	13,241,199
1909	36,524,156	28,310,274	11,040,897	7,538,396	8,595,741	10,574,314
1908	38,838,470	27,999,684	14,458,520	6,629,283	8,644,530	10,816,440
1907	39,448,365	30,619,156	17,420,821	4,963,260	10,528,035	11,190,250
1906	35,550,888	25,459,884	14,880,647	3,966,382	10,892,614	10,487,598
1905	30,697,482	24,219,847	13,013,780	3,582,082	9,857,976	9,184,421
1904	31,825,924	20,431,041	10,873,133	3,059,157	8,964,999	8,059,243
1903	32,774,081	19,004,019	10,915,610	2,596,492	9,219,331	8,437,325
1902	27,669,480	16,134,821	9,931,229	2,521,347	7,801,936	6,087,088
1901	26,978,649	12,276,075	7,532,313	1,996,912	6,680,322	5,018,491
1900	25,069,902	11,529,140	7,513,608	1,890,852	6,545,878	4,539,719
1899	21,163,162	8,660,366	6,132,731	1,666,834	5,881,857	4,201,622
1898	19,921,262	8,158,354	5,316,805	1,607,165	4,737,090	3,517,069
1897	16,434,063	6,490,725	4,953,207	1,573,210	4,989,293	[6] 2,442,769
1896	18,553,544	7,168,198	5,245,411	1,729,371	4,076,468	[6] 1,903,862
1895	17,871,936	6,205,053	4,217,390	1,761,165	3,614,873	[6] 1,868,365
1894	12,697,863	4,050,872	3,032,324	1,706,775	2,762,157	[7] 1,670,325

[1] No report filed; road organized June 18, 1894.
[2] Includes anthracite coal.
[3] Includes anthracite coal and coke.
[4] From report of Norfolk & Western R. R. Co.; represents tonnage carried Jan. 1 to June 30, 1896, records for balance of year destroyed by fire.
[5] From report of Norfolk & Western R. R. Co.
[6] Combined figures from the reports of Philadelphia & Reading Ry. Co. for 7 months ended June 30, 1897, and of Philadelphia & Reading R. R. Co. for 5 months ended Nov. 30, 1896.
[7] From report of Philadelphia & Reading R. R. Co.

Mr. WRIGHT. I wish to file as Exhibit No. 35 a letter from the Pennsylvania Department of Mines, Harrisburg, Pa., July 24, 1914, addressed to the chairman.

(The letter here introduced is as follows:)

EXHIBIT No. 35.

PENNSYLVANIA DEPARTMENT OF MINES,
July 24, 1914.

Hon. BENJAMIN R. TILLMAN,
United States Senate, Washington, D. C.

DEAR SIR: In answer to your letter of the 21st instant, asking for information regarding the production of coal of certain bituminous operators in 1913, we beg to give you below the information desired.

Rochester & Pittsburgh Coal & Iron Co.:	
Third district	46,793
Twenty-eighth district (formerly fourth district)	224,460
Twelfth district	2,195,400
Twenty-fifth district	1,017,519
Total	3,484,172
Jefferson & Clearfield Coal & Iron Co.:	
Twenty-fifth district	1,385,519
Twenty-eighth district	491,245
Total	1,876,764
Cowanshannock Coal & Coke Co.: Twenty-eighth district (formerly twenty-fifth district)	1,250,269
Pittsburgh Gas Coal Co.: Twenty-fifth district	1,697,815
Total	8,309,020

Very truly, yours,

JAMES E. RODERICK,
Chief of Department of Mines.

Mr. WRIGHT. Those companies—the Rochester & Pittsburgh Coal & Iron Co., the Jefferson & Clearfield Coal & Iron Co., the Cowanshannock Coal & Coke Co., and the Pittsburgh Gas Coal Co.—are the companies controlled by the banking house of Adrian Iselin & Co., as testified during the last session. The total output of the Iselin mines was 8,309,020 tons last year.

Mr. LYON. I have a few more questions, for which I may want to call the witness back. I want to consult Mr. Douglas during the recess. Aside from that I will submit the witness for cross-examination.

The CHAIRMAN. I want to ask you one question about that Exhibit 34. What is the Pennsylvania Co.?

Mr. WRIGHT. That is the holding company controlling the Pittsburgh, Fort Wayne & Chicago, and the Pittsburgh, Cincinnati, Chicago & St. Louis, known as the Pennsylvania lines west of Pittsburgh.

I offer as Exhibt No. 36 the report of the retiring voting trustees of the Southern Railway, Messrs. Charles Lanier and George F. Baker, dated New York, June 30, 1914.

(The report referred to is as follows:)

EXHIBIT No. 36.

NEW YORK, *June 30, 1914.*

To the holders of voting trustees' certificates for preferred and common stock of the Southern Railway Co.:

Since October 15, 1894, the voting trustees under the voting trust agreement have represented certificate holders primarily in the nomination of the board of directors and in voting on propositions recommended by the board of direc-

tors for the provision of new capital for the company. In view of the company's present financial strength, conservative management, and excellent physical condition, the voting trustees believe that the time has now come when they may properly and safely terminate the voting trust. In surrendering their trust to the stockholders the voting trustees have the satisfaction of reporting a gratifying development of the system of railroads coincident with the extraordinary and steadily increasing growth in population, industrial development, and wealth of the territory served, a development largely due to the activities of Southern Railway Co. in promoting the commerce and industry along its lines.

A few statistics will illustrate the prosperity of this territory in the 20 years since Southern Railway Co. was organized. The States principally served by the Southern Railway are the nine States, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Kentucky, and Tennessee, and the figures showing the development which has taken place in these States will at the same time serve as an indication of the growth which may be expected hereafter.

In 1910 the population of the South as so defined was 17,554,940, an increase in 20 years of 4.471,933, or 34.18 per cent.

The last available census figures of the value of property in the South compare with 1904 with 1890, and show an increase in wealth in those 14 years in these Southern States of $2,373,242,026, or 38.12 per cent.

Farm property in the same States increased in value, comparing 1910 with 1890, in the amount of $2,505,340,373, or 128.08 per cent, while the capital invested in manufactures in the same States in 1909 shows an increase, as compared with 1889, of $1.075,325,534, or 278.71 per cent.

The value of farm crops grown in the South in 1909 was $1,199,424,319, an increase, as compared with 1899, of $605,580,746, or 102 per cent.

The value of products of manufactures in the South in 1909 were $1,455,927,000, an increase, as compared with 1889, of $939.113,553, or 181.71 per cent.

The Comptroller of the Currency reports that bank deposits in the South in 1910 were $677,483,913, an increase, as compared with 1900, of $435,316,983, or 179.76 per cent.

The share which Southern Railway Co. has had in this prosperity is notable.

At the close of the first year of its operations on June 30, 1895, Southern Railway Co. operated 4,391.94 miles, including the lines (principally within these nine States) owned directly, those controlled by ownership of securities and operated by the company, those leased, those operated under agreements, and those on which trackage rights were exercised.

On June 30, 1913, the miles so operated were 7,036.53, an increase of 2,644.59 miles.

In the same period the revenues of the company have increased as follows:

	1895	1913
Gross revenues	$17, 114, 792	$69, 676, 720
Average per mile of road operated	4, 135	9, 903

Equal to an average annual increase each year over the preceding year of 7.7 per cent.

Income has increased as follows:

	1895	1913
Gross income	$5, 141, 615. 05	$21, 221, 685. 74
Average per mile of road operated	$1, 242. 10	$3, 016. 32
Increase per cent		143
Deductions from income, excluding dividends	$4, 245, 870. 24	$14, 191, 721. 05
Per mile of road	$1, 025. 71	$2, 017. 12
Increase per cent		96
Net income	$895, 744. 81	$7, 029, 964. 69
Per mile of road	$216. 39	$999. 20
Increase per cent		361

The increase in the service performed in attaining these results is shown by the following statistics of the density of freight and passenger traffic:

Freight:	1895	1913
Ton-miles revenue freight	1, 098, 932, 884	4, 577, 486, 801
Ton-miles per mile of road	265, 479	650, 617
Increase per cent		145
Freight revenue per mile of road	$2, 612. 92	$6, 388. 04
Increase per cent		144

Passenger:	1895	1913
Passenger miles	178,015,925	844,801,198
Passenger miles per mile of road	43,005	120,075
Increase per cent		179
Revenues from passenger trains per mile of road	$1,349.41	$3,118.17
Increase per cent		131

FINANCIAL PLANS.

The plan for the reorganization of the properties controlled prior to 1894 by the Richmond Terminal Co. provided for the creation by Southern Railway Co. of common stock in the amount of $120,000,000, and of noncumulative 5 per cent preferred stock in the amount of $60,000,000, and also for the creation of a first consolidated mortgage to secure a total authorized issue of $120,000,000 of 5 per cent 100-year bonds. All of the stock so created and $21,911,000 of said first consolidated mortgage bonds were issued under the plan, at or immediately after the organization of Southern Railway Co., to the reorganization committee, in exchange for, or were sold for the acquisition of, properties or securities of old companies and for a limited credit for improvements. Provision for new capital was made only by the reservation of $20,000 000 of such first consolidated mortgage bonds to be issued, and subsequently they were issued, at the rate of not exceeding $2,000,000 per annum for additions and betterments which have been made. The remainder of the first consolidated mortgage bonds were reserved to acquire and refund underlying bonds of the old companies, and during the period under review such underlying bonds have been retired to the aggregate amount of $16,621,900. As those old bonds bore various rates of interest, many exceeding 5 per cent, there has resulted an annual saving of 1.31 per cent in interest charges on the capital represented by the bonds so retired.

The growth of the property soon outstripped this original financial plan, with the result that the lines of railroad acquired during the period from 1894 to 1906 were largely financed through the creation of prior-lien and purchase-money bonds issued upon the properties acquired. To meet the growing needs for the development of the property the development and general mortgage was created in 1906 to secure a total authorized issue of $200,000,000 of 50-year bonds, to bear interest at a rate not to exceed 4 per cent, and such bonds were appropriated by the terms of the mortgage to refund divisional prior-lien bonds upon properties acquired since the first consolidated mortgage was created and to provide new capital for additions and betterments at a rate of not exceeding $5,000,000 per annum. There have been marketed and are now outstanding in the hands of the public development and general mortgage bonds aggregating $61,333,000, while $26,557,000 additional of such bonds have been taken into the treasury of the company to represent expenditures made for additions and betterments to the property out of current revenues of the company. Pending the marketing of these bonds, various issues of short-term notes have been made, all of which have been retired except $5,000,000 which will mature in 1916 and $10,000,000 recently issued which will mature in 1917.

Negotiations have also been concluded under which the stockholders of the Atlanta & Charlotte Air Line Railway Co. have consented to the issue by that company of its first mortgage bonds to the authorized amount of $20,000,000, of which $5 500,000 have been issued and sold to retire a corresponding amount of outstanding bonds of that company now pledged under the Southern Railway Co.'s first consolidated mortgage. The amount so paid to retire such bonds will be available for the completion of the double track on all of the main line between Washington and Atlanta, except the Atlanta & Charlotte Air Line. It is expected that the balance of the $20 000,000 of bonds so authorized will be sold from time to time during the next five years and the proceeds applied to complete the double track on the Atlanta & Charlotte Air Line, so that the entire main line from Washington to Atlanta, 649 miles, will be double tracked.

During the same period the proceeds of the $10,000,000 of short-term notes issued by the Southern Railway during the current year will be applied to the provision of increased yards, shops, and other terminal facilities, so that it may now be stated that provision has been made to equip the Southern Railway with a complete double track main line from Washington to Atlanta and with adequate shops and terminal facilities at its principal terminals.

The acquisition of additional rolling stock has been financed chiefly through equipment trusts.

PHYSICAL DEVELOPMENT.

As the result of the financial plans outlined above and the policy followed during the early years of the history of the company of making additions and betterments to the property through operating expenses and income, expenditures have been made for additions to the company property from July 1, 1894, to July 1, 1913, as follows:

Betterments through new capital:		
New equipment	$35,539,826.71	
Additions and betterments, such as double tracks, terminals, yards, stations, heavier rail, bridges, and improved buildings	44,263,175.89	
Real estate—right of way	3,869,041.04	
Construction of new lines and extension of existing lines	10,731,421.52	
		$94,403,465.16
Betterments through income:		
Various improvements, additions, and betterments, the cost of which was charged against operating expenses or income, representing the expenditures over and above ordinary maintenance expenses, of approximately		30,000,000.00
Total (say)		124,403,465.16

These expenditures have secured results of physical development which may be stated generally as follows:

On June 30, 1895, the entire operating mileage was single track. On June 30, 1913, 385.39 miles of double track, largely equipped with automatic signals, had been provided on grades and alignment substantially revised in the interest of economical operation, and, in addition, the ratio of side-track mileage to total main-line miles operated, excluding trackage rights, had increased from 16.52 per cent in 1895 to 35.02 per cent in 1913.

All the old iron rail in track has been replaced with steel of modern section and increased weight.

Wooden bridges have been generally replaced with steel structures.

Many of the principal terminals, both passenger and freight, have been enlarged and reconstructed, and modern freight classification yards and terminals have been provided at several places.

Modern shops have been constructed at Coster, Tenn., and at Spencer, N. C., and existing shops at other points have been enlarged and modernized.

There is much more work of this general character to be undertaken to keep the plant abreast of the commerce which it may be expected to handle.

The rolling-stock equipment has been increased as shown by the following statement:

	1895.	1913.
Locomotives	623	1,632
Passenger-train cars	487	1,157
Freight-train cars	18,924	49,512
Freight-train cars per mile of road operated	4	7

The new equipment provided is of largely increased power and capacity, and of modern construction.

FINANCIAL RESULTS.

The growth of the investment and of the financial resources of the company is indicated by the following figures:

Property investment:	1895.	1913.
Road	$228,639,979.20	$307,962,970.19
Equipment	6,010,802.52	65,502,223.78
Securities	7,609,801.00	68,151,366.85
Material and supplies, including rail leased	919,429.85	5,744,876.85
Advances to proprietary companies		408,234.86
	243,180,012.57	447,769,672.53

Property investment—Continued.

Per mile of road:	1895	1913
Owned	$85,564.70	$103,480.79
But in view of the fact that much of the property investment represents the securities of lines included in the operated system, but not owned directly, this can be stated more fairly as—		
Owned, controlled, and leased	55,992.39	67,331.05

The current or working assets and liabilities of the company for the two periods, not included in the above investments, were:

	1895.	1913.
Current assets, including bonds issued or assumed, in treasury unpledged	$3,851,022.20	$40,826,417.87
Current liabilities	3,172,379.46	13,665,016.73
Balance current assets	678,642.74	27,161,401.14

In considering these figures it may be noted that the company has since its organization pursued the policy of stating its operations, both revenues and expenses, on basis of accruals and of making provision in its operating results for all direct liabilities so far as known. To this end it created, and during its life has maintained, a system of reserves through the medium of which all known but unmatured operating liabilities have been currently charged to either revenues or expenses.

The credit balance in this account on June 30, 1895, was		$445,314.27
On June 30, 1913, it was		3,172,189.95
In addition to which there has been written-off to operations depreciation on equiment to the extent of		14,321,746.67
And provision has been made for unmatured interest, rents, and taxes to the extent of		2,554,226.26
A fire-insurance fund has also been created, which consists of an accumulation of net premiums and interest accrued on the fund's investments, aggregating		989,354.41
Represented as of June 30, 1913, by current interest-bearing securities	$868,290.35	
Cash	121,064.06	
		989,354.41

The credit balance in profit and loss, after making provision therein for the reserves above referred to and after charging off $12,502,967.44, representing the entire net discount on securities of the company sold, was—

On June 30, 1895	$895,744.81
And on June 30, 1913, it was	17,374,558.20

During the period the company has paid aggregate dividends on its preferred stock amounting to $30,758,904, equal to an average of 2.76 per cent per annum.

COOPERATION IN THE DEVELOPMENT OF THE SOUTH.

The Southern Railway Co. maintains a land and industrial department, the purpose of which is to check emigration from and to influence immigration to the South, and at the same time to serve as a clearing house of information of industrial opportunities and to promote the establishment and development of manufactures in the Southern States.

Under the influence and coordinated effort of this department the movement of people into the South has reached substantial proportions and is steadily on the increase.

On the purely industrial side the records of the land and industrial department show that during the years from 1900 to 1913, inclusive, 8,337 new manufacturing plants of various kinds, representing an investment aggregating $500,000,000, were located on the lines of the Southern Railway Co. During the same period additions were made to 2,486 factories already located on those lines at an aggregate outlay of additional capital amounting to $100,000,000.

Southern Railway Co. maintains also a department of farm-improvement work, the purpose of which is service to those engaged or interested in farm management in the South who use or could use its lines. The intention is by

cooperation to promote better and more profitable agriculture and increased and more valuable live stock in the South, resulting in products greater in value as well as volume and more traffic for the railways.

The purpose of the agents of the department of farm-improvement work is to find out what the southern farmer himself wants to know and to impart or make available such information, not to expound any preconceived theory of what the farmer should want or to exploit any fad.

It is believed that this work has been a substantial factor in the agricultural regeneration of the South.

In surrendering our trust we do so with confidence that the territory served by the Southern Railway Co. will continue to increase in population, industry, and wealth and that the company will share in such prosperity. From a disjointed collection of incomplete single-track lines the system will have been developed into an efficient double-tracked trunk line for the entire main line from Washington to Atlanta, with adequate shops and terminals at the principal cities of the entire territory served by the company, all well adapted to meet the requirements of the prosperous and growing commmunities which Southern Railway Co. serves. We commend, therefore, to the stockholders the continuance of the policy of progressive betterment which has been constantly urged by the management since the organization of the company, and to that end that there shall be liberal provision of new capital. It is the true policy of the company to lead rather than to follow in the future development of the South and to maintain its reputation and its past achievements in such leadership.

CHARLES LANIER,
GEORGE F. BAKER,
Surviving voting trustees.

The CHAIRMAN. You said you would state who the directors of the Southern were before this last annual meeting and who they are now. Have you gotten that information for us?

Mr. WRIGHT. I have.

The CHAIRMAN. Please read it into the record.

Mr. WRIGHT. I have the report of the Interstate Commerce Commission showing the board of directors of the Southern Railway during every year of its life, and also of all of its subsidiaries.

The CHAIRMAN. You can just put it in the exhibits. I would like to get it in the record.

Mr. LYON. Perhaps you can state it, Mr. Wright?

Mr. WRIGHT. I will state it now. The directors of the Southern Railway for the year ending June 30, 1914, were as follows: Robert H. Gary, Charles Steel, A. B. Andrews, Robert M. Galloway, John W. Grant, Fairfax Harrison, Adrian Iselin, jr., Charles Lanier, Edmund D. Randolph, and three vacancies. The report of the annual meeting held at Richmond, Va., October 13, 1914, shows the following new names in this list: Edwin A. Alderman, Robert Jemison, sr., and John Carlisle Kilgo.

Mr. THOM. I think if this witness would just state who was elected in place of some one of the names previously given it would give the committee what it wants.

Mr. DOUGLAS. Do that, Mr. Wright.

Mr. WRIGHT. In place of Mr. Finley?

The CHAIRMAN. Who?

Mr. WRIGHT. Do you want the name of the new man and the man whom he succeeded?

The CHAIRMAN. Yes; that is it.

Mr. WRIGHT. I can not give it, sir. Col. Thom might help us out. There were vacancies on the list for the term ending 1914 and one vacancy for the term expiring 1916.

The CHAIRMAN. That does not leave it in a very satisfactory state.

Mr. THOM. I will furnish it in a moment. In the place of Mr. W. W. Finley, Albert H. Gary, George F. Baker, jr., and Mr. Harris C. Fahnestock there were elected Dr. Edwin A. Alderman, president of the University of Virginia; Mr. Robert Jemison, of Alabama; Bishop John Carlisle Kilgo, of North Carolina; and Mr. John Kerr Branch, of Richmond, Va.

Senator POINDEXTER. When was that, Col. Thom?

Mr. THOM. At the last annual meeting, the 13th of October.

Mr. WRIGHT. I wish to make a part of the record, for the purpose of reference, tables giving the details as to shipments of coal abroad, coastwise, and in bunkers, from each part of the United Kingdom for the years 1911 and 1912, furnished by the British Parliament. This shows the amount of business done in Welsh and west coast of England coals distributed to these southeastern ports.

The CHAIRMAN. We do not want to print all this.

Mr. WRIGHT. Not at all—the footings of one page.

(After informal discussion and examination of the document by members of the committee:)

Mr. WRIGHT. May I state why it appears pertinent? The Berwynd-White Coal Co., of New York, has established its depots in Habana, Cienfuegos, Matanzas, and Santiago, Cuba; Santa Lucia, Guadalupe; and half a dozen other of the smaller ports in the Danish, French, and British West Indies, and has pushed a great deal of American coal into that market. They are doing a good business in South America. Within the last two months an order of 2,000,000 tons of locomotive fuel for the South American railways was offered to this country, and was either taken or was under consideration by the Consolidation Coal Co. of Baltimore. That coal is a long-flame coal, from one of the southwest Virginia fields.

Senator POINDEXTER. Where is it from?

Mr. WRIGHT. They will move it probably from the Fairmont district, unless they can get Kentucky coal to the north of the Black Mountains and Stonega districts moved through the port of Charleston.

Mr. THOM. How does it reach that now?

Mr. WRIGHT. Their coal—it is McRoberts on the map, and it is a northbound proposition to-day.

Mr. THOM. The Clinchfield road to Elkhorn City connects now with the Chesapeake & Ohio, does it not?

Mr. WRIGHT. It does. No trains are running as yet. The construction is probably not completed.

Senator POINDEXTER. Your explanation is a good deal more important than the original testimony, it seems to me.

Mr. WRIGHT. I had no thought that this thing would be made a burden on this record, but the footings on two or three pages—simply the total tonnage now being put into certain territory down there by the English and Welsh shippers—seems germane.

The CHAIRMAN. I was going to suggest that you read that into the record without offering the whole document. State what you took it from and just read it in, if you are able to do that now.

Mr. WRIGHT. I can not do that now, and for that reason I ask that you refer to it in the record as part of the testimony.

The CHAIRMAN. The best way is to read from it when you get ready.

Senator POINDEXTER. You say effort is being made by this company to ship coal from the port of Charleston over the Clinchfield road?

The CHAIRMAN. What are the circumstances on which you base that statement?

Mr. WRIGHT. Why, the Consolidation Coal Co. has 70 mines in this country, and is the largest producer of coal that is widely distributed.

Senator POINDEXTER. What lines are they shipping their coal over now?

Mr. WRIGHT. Why, they are shipping from Somerset, in the Pennsylvania district, over the Baltimore & Ohio; from the Cumberland and Myersdale districts, in Pennsylvania, over their own railroad, the Cumberland & Pennsylvania; from the Fairmont district, in West Virginia, over the Baltimore & Ohio; and from the Elkhorn district, in Kentucky, north of Elkhorn City, over the Sandy Valley Road, in connection with the Chesapeake & Ohio, northbound only. They have no outlet as yet from those Kentucky fields to the South Atlantic coast. They have recently, within the last 60 days, approached Blair & Co. and other people interested in the Carolina, Clinchfield & Ohio to make them a rate from the Elkhorn section to Charleston for export.

Senator POINDEXTER. How would the Clinchfield make them a rate to Charleston?

Mr. WRIGHT. Well, there would be the initial line, the Sandy Valley & Elkhorn, up to Shelby, 28 miles; the Chesapeake & Ohio from Shelby to Elkhorn City, about 30 miles; the Carolina, Clinchfield & Ohio to Spartanburg; and the Southern Railway to Charleston.

Senator POINDEXTER. What have you to say as to the physical ability of the Southern to bring coal out of those fields to Charleston?

Mr. THOM. Will you repeat that question?

Senator POINDEXTER. I asked the witness what he had to say as to the physical ability of the Southern Railway to bring coal out of those particular fields in that vicinity to Charleston?

Mr. LYON. You mean western Kentucky, now, Senator?

Senator POINDEXTER. Well, he has described a lot of fields——

Mr. LYON. The Southern has no rails, I understand, from this field in western Kentucky?

Mr. WRIGHT. That would come to Elkhorn City, and then to Spartanburg, before it touches the Southern, Senator.

Senator POINDEXTER. By that vicinity I mean the Appalachia or any coal fields on the route between that and Charleston. What comparative ability has the Southern to bring coal out to Charleston in comparison with this joint route of the Clinchfield, the Southern, and the Chesapeake & Ohio?

Mr. LYON. Have they not their own rails all the way? Has not the Southern Railway, in connection with the Virginia and Southwestern, their own rails all the way from southwestern Virginia to Charleston?

Mr. WRIGHT. They have.

Mr. LYON. And do publish a rate of $1.40 export? That is correct, is it not?

Mr. WRIGHT. That is correct.

Mr. LYON. Does that answer your question, Senator?

Senator POINDEXTER. Well, partially, yes.

The CHAIRMAN. I asked for the physical condition of the railroad.

Mr. LYON. Can you answer that, Mr. Wright?

Mr. WRIGHT. The Southern delivered its southwestern Virginia coal destined to Charleston to the Clinchfield at Speers Ferry. The Kentucky coal and the southwest Virginia coal was moved over the same rails from that point to Charleston, and the difference would necessarily be in the lines north of Speers Ferry—the Clinchfield from Speers Ferry to Elkhorn City; the C. & O. to Shelby, a river grade; and the Sandy Valley to Elkhorn, which has a very good grade from Shelby to Jenkins, the center of the mining district, right at McRoberts. The comparison would be from Speers Ferry to Jenkins through Elkhorn City, as against from Speers Ferry through Appalachia, Black Mountain, and Tom's Creek, the distance being in favor of Black Mountain, Appalachia, and Toms Creek. I am not familiar with and have no information on the profile of the new Clinchfield line to Elkhorn City. It is probably in consonance with the rest of their road—very good.

Senator POINDEXTER. Did I understand you to say that the Consolidation Coal Co. have acquired terminal facilities or dock facilities in the Danish West Indies and Cuba?

Mr. WRIGHT. That is a matter of Government records. They have Havana Coal Co. at Havana, and a separate organization at Cienfuegas, Matanzas, and Santiago. They have a coaling station at Santa Lucia and two or three others. I am satisfied they have a coal pile on the island of Guadeloupe.

Senator POINDEXTER. What has the Southern Railway done in that respect?

Mr. WRIGHT. No railroad has done that. The Consolidation Coal Co. itself has done that, as a shipper. It maintains those depots. Answering your question, the Southern has not done anything of that kind, to my knowledge.

Senator POINDEXTER. They have no ships operated in connection with their railroad to these ports?

Mr. WRIGHT. No; but no other American carrier has. The Louisville & Nashville tried that from Pensacola to Tampico. They built two very good ships, in England, with special coal handling apparatus, but they abandoned the venture, and the vessels are now used for merchandise service.

Mr. RIXEY. Has the Consolidation Coal Co. its own fleet of vessels?

Mr. WRIGHT. I do not know whether they own them or not. Most of that business is done on charter.

Mr. THOM. I would like to supply some information in addition to that. There are two routes bearing on this question that Senator Poindexter has asked you: One all the way by the Southern and the Virginia & Southwestern, and the other made up of a combination of the Southern down to Speers Ferry, the Carolina, Clinchfield & Ohio from Speers Ferry to Spartanburg, and the Southern from Spartanburg to Charleston. Is that true?

Mr. WRIGHT. That is right.

Mr. THOM. Now, the rate which is open to any shipper for export coal by either one of those routes is $1.40 to Charleston?

Mr. WRIGHT. That is my understanding.

Mr. THOM. So that the Southern Railway does undertake to do the business, and has a published rate of $1.40, the same as to Norfolk, on that coal to Charleston?

Mr. WRIGHT. That is true.

Senator POINDEXTER. Then, what is the complaint about the Southern if they have the same rate as you have to Norfolk from these coal fields? That is the very gist of this whole inquiry. If there is not any complaint on that score, what is the complaint against them?

Mr. WRIGHT. There is a very large consumption of coal between Cape Hatteras and Eastport, Me. The large coastwise movement out of Norfolk is in that direction. There is no rate to Norfolk, so that that large producer is prevented from competing in the New England market and the Central States along the coast.

Mr. LYON. Mr. Wright, do I understand you to say that the complaint is that there is no rate of $1.40 from the Virginia and southwestern mines through Norton over the Norfolk & Western to Norfolk?

Mr. WRIGHT. That is correct.

Mr. LYON. Is not that matter at this moment before the Interstate Commerce Commission, as to whether or not that through route and joint rate shall be established?

Mr. WRIGHT. It is.

Senator POINDEXTER. That is over the Norfolk & Western?

Mr. THOM. You do not claim that there is any practicable route from the Virginia and Southwestern fields, all-rail, by the Virginia & Southwestern and the Southern to Norfolk, do you?

Mr. WRIGHT. I do not. Following up that question, if it is agreeable, I would like to quote what has seemed to me in this investigation to be the language describing the conditions and prescribing the remedy. It is an extract from a hearing before the Committee on Interstate Commerce of the United States Senate, May 11, 1914, and a statement of Mr. Alfred P. Thom. [Reading:]

Mr. THOM. Now, let us see. The interstate commerce act says that all rates shall be just and reasonable. Now, is it the policy of Congress that on one line of railroads there should be certain rates in existence which should not discriminate between the various communities on that road and on another line of railroad in the same section—competing in the same market—there should be lower rates, which would bring about discrimination in favor of points on this last-mentioned road as against points on the other? Is it the policy of Congress to have one community of this country carrying on business on better terms than another, simply because they are on different lines of railroad? And would not this provision as to reasonable rates, when the question comes up as to what the reasonable rates are, be considered from the standpoint of a comparison between the two?

Moreover, you have made it unlawful for a common carrier to carry its own commodities. That was not done for the purpose merely of preventing discrimination and rebates and inequalities between the people doing business on the same line, but it was based also on the broader consideration that by that means there should not be unfairness nor inequality of rates between the commodities on that line as compared with the same commodities on some other line. If one railroad company owns its own coal and undertakes to carry it to market and undersells a coal man on another line of railroad through the device of carrying its own commodity, injustice is done, which it is the policy of the law to prohibit.

Senator CUMMINS. That is based virtually on the principle that a railroad company ought not to be in the coal business at all.

Mr. THOM. I understand; but it also has this other underlying reason, and even if it is not in your law, I submit to you it is a sound, economic principle that the various communities of this country, competing in the same market over different lines of railroad, should be able to do business at the same rate. Your legislation is not intended to create a difference of rates, letting people in the eastern part of Virginia, and the people in the western part of Virginia, both raising commodites and selling them in the market of New York, do business on a different plane or advantage—one at one set of rates and the other at another set of rates. And the moment, I venture to say, it is found your legislation is not broad enough to cover that: the moment such a condition of affairs is found to exist in this country; the moment that a certain railroad company begins giving unfair advantage to communities on its lines over others, and doing it at a rate which would break down the transportation capacity of the other line, Congress would see the impropriety of that discrimination and would legislate so that there would be no competition in rates between those sections of the country competing in the same market.

In other words, Congress has a policy—and if it is not a policy, it is a principle sound in itself—that the various communities of this country should be put into the markets of the country, whether over the same lines or over different lines, on the same terms.

Mr. THOM. That is very fine. I think the balance of that ought to go in there to show what it is all about. The thing that was under consideration by the committee there was whether or not there ought to be any competition in rates at all, was it not, between different roads?

Mr. WRIGHT. I understand that.

Mr. THOM. All that was addressed to the fact that there ought to be the same rates under the same conditions on all roads.

Mr. WRIGHT. That was it, which would have resulted in wiping out all the barriers, such as existed at Cumberland Gap and at Norton, because two sets of stockholders existed at those points—different lines of railroads, different stockholders, and different interests. That could have nothing to do with the moving of the traffic, as I understand the proposition.

Mr. THOM. Senator Poindexter asked what was this controversy about. Then, the controversy now is not with respect to an outlet through Charleston, but to an outlet through Norfolk for the southwest Virginia fields, as you defined it?

Mr. WRIGHT. This investigation is very much broader than that.

Mr. THOM. No, sir; but you have defined to Senator Poindexter here what your complaint is, stated your complaint definitively, that the Charleston situation having been entirely adjusted to the satisfaction of the complainants, that the complaint was now about the Norfolk situation.

Mr. DOUGLAS. Mr. Thom, if you will pardon me, I do not think that is a fair statement of Mr. Wright's testimony. He only mentioned the Norfolk situation as one; he did not say that was "the" complaint.

Mr. THOM. He was asked what it was, and he gave the Norfolk one. Now, I am calling attention to that fact; that is now, by this witness defined to be, in reply to Senator Poindexter's question, the issue in which he is interested.

Senator POINDEXTER. I only asked the question in order to show the view of the witness about the matter. Of course that does not control the situation at all.

Mr. LYON. We thought we represented Mr. Dulaney, and did not think he could bind Mr. Dulaney.

Senator POINDEXTER. The witness can not bind anyone. He can not bind the committee, of course, but it throws some light upon his testimony, that is all.

Mr. THOM. Did I understand now——

Mr. DOUGLAS. Are you through stating the complaints here, Mr. Wright? Do you mean what Mr. Thom said just now, that the remaining Norfolk rate was the only one involved as far as you understand this controversy?

Mr. WRIGHT. Why no; I was asked that specific question as to the Norfolk rate.

Mr. LYON. One of the questions?

Mr. WRIGHT. One of the questions—this resolution is a very broad thing. We find——

Mr. LYON. If the committee wants Mr. Wright to state what this complaint is about——

The CHAIRMAN. I do not think we care about that.

Mr. LYON. The committee has been trying to limit it to one or two points. I think it was understood by the committee the breadth of this complaint——

Senator POINDEXTER. My object in asking that question really arose upon the desire to obtain some information why coal did not move on this $1.40 rate to Charleston. We will pass it now and drop that part of it.

Mr. WRIGHT. My next two exhibits bear on that—why it does not move at present. I can not produce for an hour or two the correspondence which accompanied two contracts which I understood were drawn up by Judge Thom and sent to Mr. Potter, of the Clinchfield road, covering the Charleston terminal. The spirit and intent as of the year 1913 is expressed by these contracts, and I wish to read at least one of them into the record.

Mr. THOM. If there is going to be any reading, of course we will read them all. We do not want a partial statement of this matter.

Mr. WRIGHT. I am not undertaking that.

The CHAIRMAN. What is it you are offering now?

Mr. WRIGHT. I am offering the original draft of the Charleston terminal, memorandum of the proposed agreement in the year 1912 between the Carolina, Clinchfield & Ohio Railroad, a corporation in the State of Virginia, party of the first part, the Carolina, Clinchfield & Ohio Railroad of South Carolina, a corporation of the State of South Carolina, party of the second part, the Southern Railway Co., a corporation of the State of Virginia, a party of the third part, and the Holston Corporation, a corporation of the State of Virginia, a party of the fourth part.

The CHAIRMAN. Was that agreement signed?

Mr. WRIGHT. It was not; it was rejected, as I understood it, by the Carolina, Clinchfield & Ohio Railroad and was sent back to the Southern Railway, and Judge Thom redrafted it in July, 1913, and returned it to the Clinchfield, Carolina & Ohio Railroad, and it was then not signed, but it should clear up the plan of 1912 and 1913 of moving export coal through the port of Charleston.

The CHAIRMAN. You call it whose plan?

Mr. WRIGHT. The Southern Railway's and the Carolina, Clinchfield & Ohio Railroad's.

Mr. THOM. Have you also the one proposed to protect the Virginia & Southwestern field in that connection?

Mr. WRIGHT. I stated that I was short the correspondence covering that——

Mr. THOM. No; the other draft—the draft of the other proposed contract, involving the movement of the Virginia & Southwestern coal over the same route.

Mr. WRIGHT. I do not know whether the committee has that contract. The committee has, Judge Thom, a great deal of correspondence——

Mr. THOM. Where did you get these?

Mr. WRIGHT. Those came to the committee through the Department of Justice.

Mr. THOM. From where?

Mr. WRIGHT. From the records of the Carolina, Clinchfield & Ohio Railroad.

Mr. THOM. Why did you not get the other ones?

Mr. WRIGHT. I suppose the Department of Justice got all they could. I was there to identify papers, and I know I got all I could.

Mr. THOM. Did you not see that one there?

Mr. WRIGHT. I do not remember seeing it there, sir. There would have been absolutely no interest in getting an incomplete record. If you will give us the opportunity to present the correspondence, especially the letter from yourself which accompanied these contracts to Mr. Potter, I believe it will clear up the matter of the Southern's attitude in 1912 and 1913, and again in 1914.

Mr. LYON. Would it not be well just to postpone those until afternoon and see if you have the other contract.

The CHAIRMAN. Let me understand where we are. Have you finished with your direct? You keep submitting exhibits.

Mr. WRIGHT. Those would have finished my testimony.

The CHAIRMAN. You have not finished? I thought you had finished.

Mr. WRIGHT. That is all I want to read in for the time.

Mr. THOM. I object to this going in unless complete.

Mr. DOUGLAS. We did not intend to put that in now, Mr. Thom.

The CHAIRMAN. Well, hold those back and go ahead with the others.

Mr. LYON. I want to clear up the question Senator Poindexter asked, why coal does not move for export through the port of Charleston. Is there any pier at the port of Charleston from which coal may be loaded for export?

Mr. WRIGHT. There is not. There is one under construction by the Southern Railway.

Mr. LYON. There is none there now?

Mr. WRIGHT. There is none there now.

Mr. LYON. And therefore coal would not be given for exp through the port of Charleston?

Mr. WRIGHT. No.

Mr. LYON. There never has been a pier there from which could be moved for export, has there?

Mr. WRIGHT. There never has.

Mr. LYON. How long will it take? Have you any knowledge or any information as to when that pier will be completed that is now under construction.

Mr. WRIGHT. Only the testimony in our record of last summer.

Mr. LYON. Well, what is there?

Mr. WRIGHT. The statements of Judge Thom and Mr. Harrison that it would require 9 or 12 months, and they were doing the best they could on it.

Mr. LYON. After the pier is constructed is it not a fact that before export coal can move for coastwise coal that a business has to be built up, must be determined and ascertained.

Mr. WRIGHT. The coal shipper will have to introduce his new coal into those markets against the Welsh shippers.

Mr. LYON. That will have to be built up, you see.

Mr. WRIGHT. That will have to be built up, and also Berwind & White Co.

Mr. LYON. The Berwind & White Co.?

Mr. WRIGHT. Yes; that is a process of time.

Mr. LYON. For a new coal——

Mr. WRIGHT. Yes.

Mr. LYON. Is it not a fact that at the port of Norfolk there are already piers for the handling of coal for export and coastwise, and that there is there at present a large demand for coal exported through that port?

Mr. WRIGHT. There is ample equipment and there is a large amount handled through that port.

Mr. LYON. And is it not a fact that part of the Apalachian field, to wit, Toms Creek and that neighborhood, now have an outlet through Norfolk over these piers for the market, over the Norfolk & Western rails?

Mr. WRIGHT. They have.

Mr. LYON. Is it not a fact that the mines in the Black Mountains have no rate for export other than $1.74, or 34 cents over the export rate from Norton and Toms Creek through the same port of Norfolk?

Mr. WRIGHT. That is true.

Mr. LYON. Is there any difficulty, from an operating point of view—that is, so far as the rails being connected with the Norfolk & Western rails is concerned—why coal can not move through the port of Norfolk under present conditions, if the rate is satisfactory?

Mr. WRIGHT. No physical difficulty whatever; it is a question of rate.

Mr. LYON. Have any of the other ports on the southeastern Atlantic coast—Wilmington, Savannah, Brunswick, Jacksonville, and Fernandina—export rates from this Appalachia field?

Mr. WRIGHT. None, unless you could call the $1.55 bunker rate to Savannah an export rate.

Mr. LYON. That is known as a bunker rate; that is, for delivery of coal into the bunker of vessels at the port of Savannah?

Mr. WRIGHT. In the harbor.

Mr. LYON. I wanted to get that made clear, why the coal did not go.

Mr. RIXEY. Do you not know that the rate to Savannah has the same application as the $1.40 rate to Charleston?

Mr. WRIGHT. I am very willing to admit it, sir; I have not the tariff before me.

Mr. RIXEY. You said it was only a bunker rate.

Mr. WRIGHT. Get the rest of my language, if you wish to present the answer fairly.

Mr. RIXEY. All I want is the fact; I am not arguing about the fairness or unfairness. I would like to have the answer read.

The CHAIRMAN. There is no use for that—no use to repeat the testimony.

Mr. LYON. I am through with the witness and turn him over for cross-examination.

Mr. THOM. Is the witness through with his direct examination?

The CHAIRMAN. I understand all, except those matters of record which he wishes to put in.

Mr. THOM. It is now a quarter to 1 and time to adjourn, and I do not think we can get far in cross-examination in a quarter of an hour.

The CHAIRMAN. Would you rather go on this afternoon or have this afternoon to go through the testimony and take up the cross-examination in the morning?

Mr. DOUGLASS. That would suit us all right.

The CHAIRMAN. If it will have your approval, Mr. Thom, I can see you might shorten the testimony if you want to. [After consultation with Senator Poindexter.] We will meet at 2.30 o'clock this afternoon.

Mr. THOM. With the idea of what?

The CHAIRMAN. Of going ahead.

Mr. THOM. Will the witness complete his direct and then take up cross-examination?

The CHAIRMAN. Yes.

(Thereupon, at 12.47 o'clock p. m., the committee took a recess until 2.30 o'clock this afternoon.)

EXHIBIT No. A.

[From Twenty-sixth Annual Report of the Interstate Commerce Commission for year ending June 30, 1914.]

Page 44, Class I roads:

Average receipts per ton per mile on bituminous coal, year 1913.

	Cent.
Eastern districts	0.404
Southern districts	.399
Western districts	.652
All districts, United States	.433
Southern Railway	.595

Southern Railway excess over Class I roads.

In southern district	0.196 cent, or 49 per cent.
In all districts, United States	0.162 cent, or 37.4 per cent.

Page 39, Class I roads:

Average receipts per ton-mile on all freight.

	Cent.
Eastern district	0.628
Southern district	.674
Western district	.884
All districts, United States	.719
Southern Railway	.982

Southern Railway excess over Class I roads.

In southern district ..... 0.308 cent, or 45.7 per cent.
In all districts, United States ..... 0.263 cent, or 36.5 per cent.

(Authorities: Southern Railway average coal receipts, Interstate Commerce Commission letter of Dec. 7, 1914; Southern Railway average ton per mile, Southern Railway Annual Report, 1913, p. 44.)

EXHIBIT No. 1.

[Statement furnished Interstate Commerce Commission by Norfolk & Western Railway; letter of Lucian H. Cocke, general attorney, dated Aug. 22, 1914.

Statement of net coal tonnage from points on Norfolk & Western Railway in Clinch Valley, districts Nos. 1 and 2, for fiscal year ending June 30.

Year.	Tide-water.	Other than tide-water.	Total.
1909	28,070	363,633	391,703
1910	157,065	514,799	671,864
1911	295,860	797,162	1,093,022
1912	590,607	695,624	1,286,231
1913	738,529	832,855	1,571,384

Increase 1913 over 1909, 1,179,681 tons, or 332 per cent.
Reduction, 10 cents, effective 1909.
Reduction, 25 cents, effective 1913 (to points in north and west only).

EXHIBIT No. 2.

[Statistics taken from Mineral Resources of the United States for 1913, Part II, p. 912.]

Coal production of Lee County, Va.

	Tons.
1910	797,096
1913	763,315
Decrease	[1] 33,781

NOTE.—The Virginia & Southwestern Railway (Southern Railway) advanced its coal rates from Lee County to the southeast in 1910 on the authority of the Interstate Commerce Commission, in Andys Ridge decision.

Coal production of Tazewell County, Va.

	Tons.
1909	975,665
1913	1,447,351
Increase	[2] 471,686

Coal production of Russell County, Va.

	Tons.
1910	790,066
1913	1,512,356
Increase	[3] 722,290

NOTE 1.—Both years include small tonnage mined in Pulaski, Montgomery, and Henrico Counties.

NOTE 2. Norfolk & Western Railway reduced rate 10 cents in 1909, which increased movement. Carolina, Clinchfield & Ohio Railway has moved a large tonnage of fuel for railroad consumption.

[1] Or 4.2 per cent. [2] Or 48.3 per cent. [3] Or 91.4 per cent.

Southern Railway coal shipments from Virginia.

[Taken from Mineral Resources of the United States for years given.]

	Tons.
1910	1,152,058
1911	1,153,561
1912	1,260,115
1913	1,259,651

Increase 1913 over 1910, 107,593 tons, or 9.3 per cent.

EXHIBIT No. 3.

[The effect of the Southern Railway's advancing coal rates to Georgia and Florida points on the authority of the "Andy's Ridge" decision of the Interstate Commerce Commission, and the establishment by the Louisville & Nashville Railroad of discriminatory rates from its Harlan, Ky., branch.]

Coal shipments to Georgia and Florida, in tons.

	From Tennessee and Kentucky mines.			From Virginia mines.
	Via Southern Railway.	Via Louisville & Nashville.	Total.	Via Virginia & Southwestern.
1909	232,684	1,045,016	1,277,700	190,143
1912	281,752	1,327,120	1,608,872	329,179
1913	278,756	1,533,960	1,812,716	186,398

	Tons.	Per cent.
In this period, 5 years—		
Southern Railway gained in Tennessee and Kentucky	46,072	19.3
And lost on Virginia & Southwestern in Virginia	3,745	1.9
Making net gain in 5 years	42,327	10
Louisville & Nashville gained	488,944	46.79
Mines in Tennessee and Kentucky gained	534,016	41.71
Mines on Virginia & Southwestern in Virginia lost	3,745	1.9
In period 1912 and 1913, 2 years—		
Southern Railway lost in Tennessee and Kentucky	2,996	1.06
And lost on Virginia & Southwestern mines in Virginia	142,781	43.37
Making net loss in 2 years	145,777	23.27
Louisville & Nashville gained	216,840	16.34
Mines in Tennessee and Kentucky gained	203,844	12.67
Mines on Virginia & Southwestern in Virginia lost	142,781	43.37

NOTE.—These figures extracted from exhibits of the carriers named in the general coal investigation by the Interstate Commerce Commission, Docket No. 6324; Southern Railway advance, effective Aug. 15, 1910; Louisville & Nashville rates, effective May 26, 1910, Jan. 14, 1912, June 10, 1912, July 30, 1912, Oct. 7, 1912.

EXHIBIT No. 4.

Capacity of mines and shipments, east Tennessee, Kentucky, and Virginia.

	Tons.
Annual capacity of mines on Louisville & Nashville Railroad, Cumberland Valley and Knoxville divisions	9,192,000
On Southern Railway and Virginia & Southwestern Railway	12,558,000
Total capacity	21,750,000

Shipments for year 1913.

	Tons.	
Louisville & Nashville Railroad:		
From Tennessee mines	1,533,175	
From Kentucky mines	4,485,900	
From Virginia mines	244,597	
		6,263,67[illegible]

	Tons.	Tons.
Southern Railway Co.:		
From Tennessee mines	2,284,261	
From Kentucky mines	322,611	
From Virginia mines (Virginia & Southwestern)	1,259,651	
		3,866,523
		10,130,195
Excess of mine capacity above shipments:		
Net tons		11,619,805
Gross tons		9,473,485

Estimated revenue to carriers if shipped to tidewater, $13,262,879.

(Authorities: Louisville & Nashville Circular G. I. S. 87; Southern Railway directory of coal mines and coke ovens; Mineral Resources of the United States, 1913, Part II.)

EXHIBIT No. 5.

Atlantic & Danville Railway.

	Miles.
Danville to Norfolk, Va	205.10
Branches	62.59
Total	267.69

[Extract from letter from President Fairfax Harrison, of Southern Railway Co., dated Oct. 10, 1914.]

Period.	Net income.	Rental paid.
Ten months ended June 30, 1900	$100,103.05	$105,833.34
Year ended June 30—		
1901	69,525.52	127,000.00
1902	78,127.60	157,000.00
1903	142,013.39	157,000.00
1904	104,706.25	188,000.00
1905	53,830.93	188,000.00
1906	192,615.80	188,000.00
1907	171,160.54	188,000.00
1908	169,031.57	188,000.00
1909	105,743.83	188,000.00
1910	191,154.54	218,000.00
1911	168,877.68	218,000.00
1912	118,727.85	218,000.00
1913	80,742.50	218,000.00
1914	86,513.00	218,000.00
Total	1,832,874.05	2,764,833.34

NOTE.—Net loss to Southern Railway for period of lease, $931,959.29. That this division has not provided any part of the interest charges on either bond issue of the Southern Railway Co.

The Atlantic & Danville parallels and is a competitor of the following lines:

	Miles.
Southern Railway:	
Danville, Va., to West Point, Va	179
Greensboro, N. C., to Norfolk, Va. (via Selma)	274
Virginia Railway: Altavista, Va., to Norfolk, Va	199
Norfolk & Western Railway: Lynchburg, Va., to Norfolk, Va	204

Also Norfolk & Western Railway from Bristol, Tenn., to Norfolk, Va., 408 miles, if Atlantic & Danville and Danville & Western had been extended as contemplated.

Rate of $1.50 per ton applies on coal from West Virginia mines to all points on the Norfolk & Western Railway, Lynchburg, Va., to Norfolk, Va., inclusive, and on the Virginian Railway, Altavista, Va., to Norfolk, Va., inclusive.

The rate on coal from West Virginia mines to points on the Atlantic & Danville, between Danville and Norfolk, is $2.20 and $2.30 per ton, except to Norfolk proper, which is $1.50 per ton. The Southern Railway does not publish rates on coal from any mines on its system to points on the Atlantic & Danville Railway, which division is supplied by the Southern Railway's competitors. See President Harrison's letter of October 10, 1914, to Senator Bryan, also his testimony (p. 473 of official record).

Exhibit 5-A.

Danville & Western Railway.

	Miles.
Danville to Stuart, Va.	75
Branch (including Southern Railway trackage, 5 miles) Leakesville Junction to Leakesville, N. C.	8
	83

CAPITALIZATION.

Bonds	$1,052,000
Stock	368,000
Total	1,420,000

All owned by Southern Railway except one bond for $1,000.

Year.	Net earnings.	Interest and other charges.	Deficit.
1905-6	$60,409	$61,808	$1,399
1906-7	51,232	72,272	21,040
1907-8	86,789	166,657	78,868
1908-9	105,722	105,722	.....
1909-10	130,053	121,094	[1] 8,959
1910-11	144,701	138,720	[1] 5,981
1911-12	130,959	126,097	[1] 4,862
1912-13	140,673	120,873	[1] 19,800
Total	850,538	913,243	61,705

[1] Surplus.

This line, in connection with the Atlantic & Danville Railway, comprises 280 miles of the projected line from tidewater at Norfolk, Va., to the southwest Virginia coal fields via the Virginia & Southwestern Railway, also a Southern Railway property. The uncompleted distance, Stuart, Va., to Mountain City, Tenn., is 95 miles.

Exhibit No. 6.

Atlantic & Yadkin Railway.

[Until January 31, 1899, known as Cape Fear & Yadkin Valley Railway.]

	Miles.
Mileage until 1899	284
Mileage conveyed to Atlantic Coast Line May 13, 1899	118
Mileage owned by Atlantic & Yadkin Railway (Southern Railway) since May 13, 1899	166

Main line, Sanford, N. C., to Mount Airy, N. C.; two branches.

CAPITALIZATION, ATLANTIC & YADKIN RAILWAY.

4 per cent bonds	$1,500,000.00
Stock	1,000,000.00
Total capitalization	2,500,000.00
4 per cent bonds were sold to A. Iselin & Co. in May, 1899, at 93½, yielding	1,402,500.00
Which, deducted from amount paid by Southern Railway for property	1,677,886.83
Leaves as cost of stock	275,386.83
Book value, Southern Railway, report for year ending June 30, 1914	83,808.09
Interest charge, 4 per cent on $1,500,000	60,000.00

Interstate Commerce Commission reports as follows:

Statement showing certain returns contained in the annual reports of the Atlantic & Yadkin Railway Co. to the Interstate Commerce Commission for the years named ending June 30.[1]

Year.	Income from lease of road.	Net income for year.	Profit-and-loss balance carried to balance sheet.
1913	$102,999.37	$37,300.62	$91,252.48
1912	69,222.01	2,816.04	128,553.10
1911	82,415.77	17,116.68	127,319.14
1910	28,506.91	[2] 35,755.23	144,437.83
1909	44,301.44	[2] 20,041.35	108,682.59
1908	2,265.97	[2] 64,435.20	88,641.24

[1] Figures given may not be exactly comparable because of changes in accounting classifications during period covered.
[2] Deficit.

Is a natural competitor of all Atlantic Coast Line rails entering Wilmington, N. C., and of all Southern Railway lines in northern and northwestern North Carolina.

In connection with the proposed Norfolk & Western extension to Mount Airy, N. C. (15 miles), it forms the shortest line to the coal fields of Virginia and West Virginia.

See North Carolina State Commission papers.

NOVEMBER 25, 1914.

Hon. FAIRFAX HARRISON,
President Southern Railway, Washington, D. C.

MY DEAR SIR: Referring to the memorandum of railroads purchased by the Southern Railway between January 1, 1896, and June 15, 1914, which you submitted at the hearing on July 28, 1914—Atlantic & Yadkin Railroad—please advise annual net earnings of this company and the interest charges on the bonds guaranteed by the Southern Railway and any dividends which have been paid on the stock; also the tonnage of freight handled annually, and the tonnage interchanged annually with the Atlantic Coast Line and Norfolk & Western Railway.

Yours, truly,

B. R. TILLMAN.

EXHIBIT NO. 7.

Southern Railway, Carolina Division (leased to Southern Railway.)

CAPITAL.

4 per cent bonds	$11,359,500
Stock	4,176,200
Total	15,535,700

Five million dollars bonds, $4,174,700 stock in treasury Southern Railway June 30, 1914 (annual report to stockholders, p. 47), composed of Asheville & Spartanburg Railroad, South Carolina & Georgia Extension Railroad, South Carolina & Georgia Railroad, Carolina Midland Railroad, Transylvania Railroad.

Total mileage, 715.93 miles.

Merged under act of South Carolina Legislature passed February 18, 1902.

EXHIBIT NO. 8.

Carolina & Northwestern Railway.

[Chester, S. C., to Edgemont, N. C., 134 miles.]

CAPITAL.

5 per cent bonds	$1,528,000
5 per cent bonds	[1] 543,000
4 per cent preferred stock	550,000
Common stock	854,250

Bonds in treasury of Southern Railway at book value of $2,016,541. Ownership of stock unknown.

[1] Issued by Caldwell & Northern Railway and assumed by Carolina & Northwestern.

RESULTS.

Year.	Total income.	Interest, taxes, etc.	Surplus.
1908	$91,821	$102,827	[1] $11,0[illegible]
1909	99,964	88,872	11,0[illegible]
1910	122,616	103,181	19,43[illegible]
1911	128,339	138,993	[1] 10,65[illegible]
1912	126,741	148,647	[1] 21,90[illegible]
1913	146,775	156,943	[1] 10,168

[1] Deficit.

No reply received to letters of Senator Tillman, as follows: November 27, to W. A. Barker, president, asking for annual report; November 23, to President Harrison, of Southern Railway, asking for relation of properties, etc.

This road, extended about 30 miles from Edgemont, N. C., to Butler, Tenn., would make a short line from the Southwest Virginia coal field to tidewater at Charleston, S. C.

Exhibit No. 9.

Tallulah Falls Railway.

[Cornelia, Ga., to Tallulah Falls, Ga., 21 miles; extension to Franklin, N. C., 37 miles, total mileage, 58.]

CAPITAL.

5 per cent bonds	$1,519,000
Preferred stock	123,400
Common stock	199,500
Total	1,841,900

In treasury Southern Railway June 30, 1914 (see p. 47 of annual report to stockholders).

RESULTS OF OPERATION REPORTED BY INTERSTATE COMMERCE COMMISSION.

Year.	Operating revenues.	Operating expenses.	Net deficit for year.	Profit and loss debit carried to balance sheet.
1914	$149,153.92	$117,910.90	$60,160.07	$516,510.02
1913	172,580.83	126,991.24	55,029.30	456,724.88
1912	134,246.07	95,653.09	48,438.07	401,631.74
1911	109,433.12	83,811.04	60,425.26	349,433.59
1910	113,698.34	74,363.39	43,402.19	287,537.40
1909	98,582.05	95,528.26	31,912.51	234,738.65
1908	88,324.00	93,698.08	19,450.35	140,700.21
1907	85,481.88	83,066.02	1,507.62	9,293.49
1906	61,914.59	51,903.06	[1] 6,387.89	7,785.87
1905	35,493.63	31,620.23	2,355.58	14,173.76

[1] Surplus.

Carolina & Tennessee Southern Railway.

[Bushnell, N. C., to Fontana, N. C., 13.90 miles.]

CAPITAL.

4 per cent bonds	$693,000
Stock	59,400
Total	752,400

In treasury Southern Railway June 30, 1914 (see p. 47 of annual report to stockholders).

Tennessee & Carolina Southern Railway.

[Chilhawee, Tenn., to Maryville, Tenn., 25.30 miles.]

CAPITAL.

per cent bonds	$1,354,000
tock	199,500
Total	1,553,500

In treasury Southern Railway June 30, 1914 (see p. 47 of annual report to stock-olders).

The Tallulah Falls Railway, Southern Railway (Murphy Branch), Carolina & Ten-essee Southern Railway, Tennessee & Carolina Southern Railway, with proposed onnecting links, will form a low-grade short line between Knoxville, Tenn., and entral Georgia.

EXHIBIT No. 10.

Knoxville & Bristol Railway.

[orristown, Tenn., to Corryton, Tenn., mileage, 40 miles. Purchased by Southern Railway in 1902 for $120,000.]

President Harrison's letter, October 10, 1914, transmits following results of the opera-on by Southern Railway since 1904:

	Gross revenue.	Operating expenses and taxes.	Net.
x months ended June 30, 1904	$11,846.68	$34,988.55	[1] $23,141.87
ear ended June 30—			
1905	28,190.00	40,234.16	[1] 12,044.16
1906	33,169.49	26,001.09	7,168.40
1907	38,599.44	32,734.03	5,865.41
1908	40,111.49	36,664.29	3,447.20
1909	34,076.33	31,052.67	3,023.66
1910	37,258.16	31,129.44	6,128.27
1911	41,362.64	30,644.37	10,718.27
1912	42,047.99	40,636.35	1,411.64
1913	40,362.25	38,159.09	2,203,16
1914	38,589.40	42,386.57	[1] 3,797.17
Total	385,613.87	384,630.61	983.26

[1] Deficit.

At 5 per cent on purchase price of $180,000 it cost the Southern Railway to carry this vestment $9,000 per annum, or $94,500 for the entire period it has owned this prop-ty, hence the deficit to June 30, 1914, is $93,516.74.

The deficit for year ending June 30, 1914, was, after paying operating expenses, ,797.17; after paying interest charges, $12,797.17; and it will be seen that the gross ceipts in 1914 were about the same as in 1907, while expenses were about $10,000 gher.

There has been no increase in the traffic since 1907.

This road parallels the main line of the Southern Railway between Morristown, enn., and Knoxville, Tenn.

EXHIBIT No. 11.

Knoxville, Cumberland Gap & Louisville Railway, Knoxville Belt Railway.

	Miles.
noxville to Cumberland Gap, Tenn	62.36
noxville to Belt Junction, Tenn	5.85
Total	68.21

Purchased from August Belmont Co., bankers, New York, April 1, 1896, for 37,205.44.

Through rates with Louisville & Nashville Railroad withdrawn.

This line, in connection with the Louisville & Nashville Railroad, is the short line tween the southwest Virginia coal field and Knoxville, Tenn.

EXHIBIT No. 12.

Cumberland Railway Co.

[Hyde, Tenn., to Fonde, Ky., 11.21 miles.]

CAPITAL.

4 per cent bonds	$548,000
Stock	100,000

All owned by Southern Railway Co. and pledged under development and general mortgage.

Road leased to Southern Railway and is used jointly with Louisville & Nashville Railroad.

Interstate Commerce Commission makes following report of results:

Statement showing certain returns contained in the annual reports of the Cumberland Railway Co. to the Interstate Commerce Commission for the years named ending June 30.[1]

Year.	Income from lease of road.	Net income for year.	Profit-and-loss balance carried to balance sheet (debit).
1911	[2] $5,308.14	[2] $27,318.14	$94,772.00
1910	2,572.25	[2] 19,347.75	67,454.70
1909	[2] 1,143.23	[2] 23,063.23	48,107.01
1908	[2] 6,311.55	[2] 27,721.55	27,823.73

[1] Figures given may not be exactly comparable because of changes in accounting classifications during period covered.
[2] Deficit.

This is the southern end of the Cumberland Railroad. The northern end is called the Cumberland Railroad, and is described in Exhibit 12-A.

EXHIBIT No. 12-A.

Cumberland Railroad.

[Artemus, Ky., to Wheeler, Ky., 12.90 miles.]

CAPITAL.

4 per cent bonds	$548,000
Stock	20,999

Not shown on annual report to stockholders for 1914. Carried on annual report to Interstate Commerce Commission for year ending June 30, 1914, at book value of $476,760.

President Harrison (in official record, p. 477) reports the purchase in April, 1906, of $200,000 bonds and $20,999 stock at cost of $250,000.

Interstate Commerce Commission reports as follows:

Statement showing certain returns contained in the annual reports of the Cumberland Railroad Co. to the Interstate Commerce Commission for the years named, ending June 30.[1]

Year.	Operating revenues.	Operating expenses.	Net income for year.	Profit and loss balance carried to balance sheet (debit).
1913	$44,322.67	$40,088.63	[2] $23,519.08	$170,835.24
1912	40,379.91	35,900.81	[2] 21,843.72	147,316.16
1911	30,526.93	24,053.78	[2] 12,796.16	125,472.44
1910	26,035.35	20,739.76	[2] 15,625.29	107,576.28
1909	24,053.46	20,580.54	[2] 12,510.76	91,950.99
1908	17,454.78	19,246.68	[2] 15,609.65	79,440.23

[1] Figures given may not be exactly comparable because of changes in accounting classifications during period covered.
[2] Deficit.

If the bonds now carried on Southern Railway books at value of $476,760 cost that amount, the carrying charge, at 5 per cent, cost Southern Railway $23,838 annually, which amount should make the loss to the Southern Railway during 1913, $47,357.08.

The road has no physical connection with the Southern Railway. This is the northern end of the Cumberland Railroad, which was projected from Jellico, Tenn., to Artemus, Ky., but was not finished through. Part of the line was graded and supplied with rails. Both ends belong to Southern Railway.

Debit profit and loss balance as reported by the Interstate Commerce Commission is as follows:

Cumberland Railway, 1911	$94,772.90
Cumberland Railroad, 1913	170,835.24
Total loss	265,608.14

No reply has been received to Senator Tillman's letter of November 23 asking for information.

EXHIBIT No. 13.

Tennessee Northern Railway.

[La Fallette Junction, Tenn., to La Fallette, Tenn., 11.30 miles.]

ORIGINAL CAPITALIZATION.

Bonds	$250,000
Stock	250,000
Total	500,000

Bought by Southern Railway January 5, 1903, for $500,000, $44,250 per mile. Short spur to inactive blast furnace and to active coal mines.

EXHIBIT No. 14.

Distances in miles, between southwest Virginia coal field and Knoxville, Tenn.

	From Appalachia.	From St. Charles.
Louisville & Nashville Railroad to Cumberland Gap	60	45
Southern to Knoxville	65	65
Total	125	110
Via Holston River Line:		
Virginia & Southwestern Railway to Moccasin Gap	39	62
Virginia & Southwestern Railway to Bulls Gap	47	47
Southern Railway to Knoxville	55	55
Total	141	164
Route through Moccasin Gap, Virginia & Southwestern Railway, is longer from Appalachia 16 miles, or 12.8 per cent, and from St. Charles 54 miles, or 49 per cent.		
Original line, Virginia & Southwestern Railway:		
Virginia & Southwestern Railway to Bluff City	81	104
Southern Railway to Knoxville, Tenn	120	120
Total	201	224

Distances, in miles, between southwest Virginia coal field and Morristown, Tenn.

	From Appalachia.	From St. Charles
Louisville & Nashville Railroad to Cumberland Gap, Tenn	60	[illegible]
Southern Railway to Corryton, Tenn	47	[illegible]
Southern Railway to Morristown, Tenn	40	[illegible]
Total	147	[illegible]
Via Holston River Line:		
Virginia & Southwestern Railway to Moccasin Gap	39	[illegible]
Virginia & Southwestern Railway to Bulls Gap	47	[illegible]
Southern Railway to Morristown	13	[illegible]
Total	99	[illegible]
Route through Cumberland Gap, Louisville & Nashville Railroad, is longer from Appalachia 48 miles, or 48.4 per cent, and from St. Charles 10 miles, or 8.2 per cent.		
Original line, Virginia & Southwestern Railway:		
Virginia & Southwestern Railway to Bluff City	81	[illegible]
Southern Railway to Morristown	78	[illegible]
Total	159	[illegible]

EXHIBIT No. 15.

Northern Alabama Railway.

[Sheffield, Ala., to Parrish, Ala., and branches, 112.5 miles.]

CAPITALIZATION.

Bonds	$1,650,000
Stock	2,000,000
Total	3,650,000

Southern Railway owns $1,363,000 of the bonds and $1,513,400 of the stock. (Annual report, p. 35.)

Year.	Gross earnings.	Net earnings.	Interest and taxes.	Deficit.
1904-5	$414,346	$88,881	$111,605	$22,72[illegible]
1905-6	510,057	98,701	110,905	12,204
1906-7	605,375	105,552	113,145	7,5[illegible]
1907-8	582,121	73,042	237,231	164,1[illegible]
1908-9	435,047	101,677	156,738	55,0[illegible]
1909-10	554,366	170,643	151,589	[1] 19,054
1910-11	506,193	123,812	163,326	39,514
1911-12	464,684	111,870	147,289	35,419
1912-13	541,089	182,861	229,937	47,076
Total	4,613,278	1,057,039	1,421,765	383,779

[1] Surplus.

This line serves important coal fields in northern Alabama.

Southern Railway paid for this property in April, 1899, $1,458,367.31. (See President Harrison's testimony, official record, p. 471.)

EXHIBIT No. 16.

SOUTHERN RAILWAY CO.,
FREIGHT TRAFFIC DEPARTMENT,
Washington, April 16, 1909.

Mr. J. J. CAMPION,
Traffic Manager Carolina, Clinchfield & Ohio Railway,
Johnson City, Tenn.

DEAR SIR: Yours of April 13, file 2598-A, is just received and occasions some surprise.

I undertook to settle with you alone the question of divisions of rates on coal from your mines to Southern Railway local stations, informing you that we could not

undertake to settle without conference with other carriers the question of divisions to competitive points. I took it for granted, first, that when you discussed with your other connections the question of divisions to their local stations, they would probably also defer until after conference with us the question of divisions to competitive points. Second, that in view of our natural affiliation with the Seaboard Air Line, that line would in any event determine for us the maximum proportions which we might charge to competitive points.

You proceeded to determine with the Seaboard divisions via Bostic not only to its local stations but to competitive points as well, and in a subsequent conference with Mr. Capps, not premeditated so far as the time of its occurrence is concerned, I learned what these divisions were and proceeded to do what in any event it would have been necessary for me to do, namely, adjust proportions from Marion to common points in line with what you and Mr. Capps had already agreed upon via Bostic.

At the same time we did not exceed, in fixing divisions to the common points, proportions which we had already agreed upon with you to the local points in the same group, and the observance of such proportions as maxima gave you a more liberal basis for divisions of rates to common points in connection with the Southern Railway than you had agreed upon with the Seaboard.

You pronounce the basis for your division with the Seaboard Air Line as "manifestly fair when properly worked out," yet you proceed to condemn as unfair a basis for divisions with the Southern Railway which, measured in dollars and cents, produces more to your line than does the basis which you have adopted with the Seaboard.

We can not recognize the equity of your position that we ought to use as a measure for the division of rates the short-line mileage over a railroad that is not capable of handling traffic. The mere possession of the line from Marion to Blacksburg is a misfortune to its owner, and we are not transferring any share of that misfortune to you when we ask you to recognize the actual route that we use instead of an imaginary one. I hope to be able to telegraph you in a day or two, suggesting a date for conference on such matters as we have to discuss.

Yours, very truly,

L. GREEN.

AFTER RECESS.

At 2.30 o'clock p. m. the committee reassembled, pursuant to recess taken.

Mr. LYON. I would like temporarily to withdraw the two contracts referred to by Mr. Wright.

The CHAIRMAN. They have not been offered yet.

Mr. LYON. Then, to-morrow morning that will be presented. We have been looking over the papers, and if there is another contract and probably any correspondence it will be found.

CROSS-EXAMINATION.

Mr. THOM. Mr. Wright, Mr. Lyon has stated that you appear as a witness for Mr. Dulaney, the prosecutor, in this case. That is correct, is it not?

Mr. WRIGHT. They have made me their witness in the case, I understand, the same as anybody else.

Mr. THOM. Is that the only relationship you bear to this case?

Mr. WRIGHT. I am employed by the Naval Committee to secure information, to be used in the report to the Senate on the resolution.

Mr. THOM. You have used the words that you were the "expert" of the committee, and the "adviser" of the committee. Is that a fact?

Mr. WRIGHT. I do not think I ever used the word "expert." I did use the word "adviser."

Mr. THOM. What is your relation to Mr. Dulaney, the prosecutor?

Mr. WRIGHT. I am married to his third cousin. I have been in business with him about 20 years.

Mr. THOM. So you are connected with him distantly by marriage and you are in business with him.

Mr. WRIGHT. I am.

Mr. THOM. Where?

Mr. WRIGHT. I am interested in the Black Mountain Corporation which is a coal-land company, and the United Collieries Co., which is operating three or four of the leases of this same land company.

Mr. THOM. As I understand, the Black Mountain Co. is the company that owns land on which these coal mines are.

Mr. WRIGHT. That is true.

Mr. THOM. What relation have you to that company?

Mr. WRIGHT. I have no official position; I hold some of its bonds and some of its stock and have for a number of years.

Mr. THOM. How long?

Mr. WRIGHT. Since the Black Mountain Corporation became a corporation.

Mr. THOM. When was that?

Mr. WRIGHT. That was five or six years ago; I was in the predecessor, the Black Mountain Coal & Iron Co., before that time.

Mr. THOM. When did you first become interested in this Black Mountain district?

Mr. WRIGHT. In 1900.

Mr. THOM. In 1900?

Mr. WRIGHT. Yes.

Mr. THOM. How did you then become interested?

Mr. WRIGHT. I was manager of the old Black Mountain Coal & Coke Co., and surveyed the lands, about four months, in the summer of 1900, and was living in the territory.

Mr. THOM. Was that the first connection you had with it? That does not answer my question. How did you become interested in it? Did you make investment in it?

Mr. WRIGHT. I did.

Mr. THOM. In which company was that?

Mr. WRIGHT. In the original Black Mountain Coal & Coke Co.

Mr. THOM. Was that a company that existed before 1900?

Mr. WRIGHT. I think it began operation either in 1900 or 1899.

Mr. THOM. And you became interested in the securities of that company?

Mr. WRIGHT. I did, to a small extent at that time.

Mr. THOM. Then, how long did that company continue in existence?

Mr. WRIGHT. I think it was succeeded by the Black Mountain Coal Land Co., within a couple of years, and that company was, in turn succeeded by the Black Mountain Corporation five or six years ago.

Mr. THOM. You were in the second of those companies, which was the Black Mountain Land Co.?

Mr. WRIGHT. I was.

Mr. THOM. Did you increase your investment in that?

Mr. WRIGHT. I did.

Mr. THOM. What was the third one of the companies named?

Mr. WRIGHT. The Black Mountain Corporation.

Mr. THOM. That is the present company?
Mr. WRIGHT. The present company.
Mr. THOM. Are you interested in that?
Mr. WRIGHT. I am.
Mr. THOM. Have you increased your investment in that?
Mr. WRIGHT. I have.
Mr. THOM. So that since 1900 you have been interested in this Black Mountain movement, which has been so much discussed here, and which Mr. Dulaney represents as the president?
Mr. WRIGHT. That is true.
Mr. THOM. Substantially interested?
Mr. WRIGHT. Judge, I suppose I have $30,000 or $40,000 or $50,000 worth of securities, all told. I have not added to it in the late years and have not kept up with it very close.
Mr. THOM. You have been identified with Mr. Dulaney in the management of that property?
Mr. WRIGHT. No.
Mr. THOM. Have you been identified in the management of any coal leasing lands from that company?
Mr. WRIGHT. I have.
Mr. THOM. In what capacity?
Mr. WRIGHT. Vice president.
Mr. THOM. Which company was that?
Mr. WRIGHT. The Black Mountain Colleries Co.
Mr. THOM. Is Mr. Dulaney interested in that company?
Mr. WRIGHT. In a very small way, he is; and in its successor, the United Colleries Co.
Mr. THOM. You mean that you are interested in a very small way or Mr. Dulaney?
Mr. WRIGHT. He is. My interest in that is larger than anything else.
Mr. THOM. Larger than anything else?
Mr. WRIGHT. Mining and shipping and operating company.
Mr. THOM. So that you are and have been for a number of years interested in securities of the parent company, the land company, and you are also even more largely interested in a mining operation there, of which you are vice president?
Mr. WRIGHT. That is true.
Mr. THOM. You have been identified with this movement as to rates from its inception?
Mr. WRIGHT. I have followed it very closely; I have not always been identified in the action taken, if that is what you mean.
Mr. THOM. You have been identified with the controversy before the Interstate Commerce Commission on the subject of these rates?
Mr. WRIGHT. I testified last winter.
Mr. THOM. Very elaborately, did you not?
Mr. WRIGHT. I was disappointed——
Mr. THOM. You mean that was as to the quality, not as to the quantity?
Mr. WRIGHT. No; I do not know just what you mean by "elaborately," but I testified as best I could.
Mr. THOM. That was before this investigation started you testified, was it not?
Mr. WRIGHT. Yes.

Mr. THOM. When you secured the position of adviser to this committee in the pending investigation, did you advise them of your interest and identification with Mr. Dulaney, the prosecutor?

Mr. WRIGHT. I advised the chairman fully; I endeavored to make it very clear to him that I could not qualify as an expert in anything but that I would undertake the work he wanted very gladly.

Mr. THOM. I am not speaking of any committee except the subcommittee charged with the duty of investigation. Did you advise the subcommittee, when you accepted the position of advisor to them in this investigation, that you were identified with and interested in business with Mr. Dulaney in the most intimate sort of way?

Mr. WRIGHT. Well, If I have not made it clear to all members of the subcommittee, it is a matter of oversight. I have supposed all along they understood fully that relation, and I have discussed it with several of them.

Mr. THOM. Did you think that this committee would accept you as a confidential adviser and representative, when you were identified with one side only of this case, and could not be in an impartial position?

Mr. WRIGHT. I have no discussion of the matter with myself.

Mr. THOM. You did not bring that phase of it or this information to the attention of this subcommittee?

Mr. WRIGHT. I discussed it with the chairman of the subcommittee last summer, and I think also with Senator Poindexter at a meeting of the committee one day.

Mr. THOM. Did you tell them of your partisan interest in this matter?

Mr. WRIGHT. I explained to them my situation as best I could.

Senator TILLMAN. I know he has had all the intimate facts from the very beginning.

Mr. THOM. What is your position and your relationship to this committee given you in the way of advantage in making an investigation into this case—has it given you entrée to the records of the Southern Railway Co. and of the other railway companies?

Mr. LYON. If the committee please, is it appropriate in an investigation of this character to go into the status of the employee of the committee?

The CHAIRMAN. I suppose——

Mr. LYON. And pass upon questions of what the legal proposition is or what the advantage is?

The CHAIRMAN. Mr. Thom can show the witness is an interested witness.

Mr. LYON. I brought that out in my direct examination.

The CHAIRMAN. I think that has been developed.

Mr. LYON. This should not be imposed upon the committee, it seems, unless the committee is questioning his character.

The CHAIRMAN. There is no secret as to the witness's employment. I can make a statement for the record upon that point. Before the subcommittee was appointed the chairman of the Committee on Naval Affairs had made an arrangement with Mr. Wright to make an investigation and examine the files of the records of the Southern Railway and other railroad companies, I suppose, and he was ready to testify when the committee was appointed. Those are the facts.

Mr. THOM. I assumed it was not done by this subcommittee, and I did not know that anyone knew of the situation.

The CHAIRMAN. I do not know whether Senator Tillman did or not. I did not discuss that with him.

Mr. THOM. I did not know anyone knew of the situation. I did not think he would have been employed if his partisan interest had been shown.

(To the witness:) Will you please answer my question as to whether or not, clothed with this interest personal to yourself in this matter and with the authority of this committee, you had access to the files of the Southern Railway and other carriers in respect to this matter?

Mr. WRIGHT. I have had access to the records of this committee; I have seen a great many records of the Southern Railway.

Mr. THOM. In order to see them you had access, did you not?

Mr. WRIGHT. I had access to seeing papers. If you mean the building or the office, or anything of that kind; no.

Mr. THOM. Who got those records and gave them to you?

Mr. WRIGHT. The Department of Justice.

Mr. THOM. How came the Department of Justice into this thing?

Mr. WRIGHT. I do not know, sir.

Mr. THOM. You do not know how they came into it?

Mr. WRIGHT. That was a matter of the relations between the committee officials and the Department of Justice.

Mr. THOM. You mean that somebody in the Senate committee got the Department of Justice to give you access?

Mr. WRIGHT. I assume that.

Mr. THOM. To these files?

Mr. WRIGHT. I assume that, sir.

Mr. LYON. Do you mean to say that you had access to the files—you yourself?

Mr. WRIGHT. Oh, no; he asked twice.

Mr. LYON. You better straighten it out on the record.

Mr. WRIGHT. I had access to the papers delivered to the committee by the Department of Justice.

Mr. THOM. Who was the representative of the Department of Justice?

Mr. WRIGHT. There have been several—the Assistant Attorney General Lewis was one of them, and Mr. Joyce another.

Mr. THOM. Were those the only two?

Mr. WRIGHT. As far as I know; yes, sir.

Mr. THOM. Did you go with either of them to the office of the Clinchfield road?

Mr. WRIGHT. I went with Mr. Joyce to the office of the Clinchfield road to identify correspondence. I did not take any correspondence.

Mr. THOM. Did you go with any representative of the Department of Justice to the Southern Railway offices?

Mr. WRIGHT. I did not.

Mr. THOM. Did you tell the representative of the Department of Justice what you wanted?

Mr. WRIGHT. As far as I could; I gave them definite information as to the papers desired for this committee.

Mr. THOM. That means the papers you desired?

Mr. WRIGHT. Well, they were wanted for the committee, and I handled them as the representative of the committee.

Mr. THOM. I know, but you were the one who determined what the committee desired?

Mr. WRIGHT. No.

Mr. THOM. You did not suggest that?

Mr. WRIGHT. My employment was to get all the evidence possible; we are not through yet. I suggested what we would have bearing on this from the files of the carriers.

Mr. THOM. I know that, but did the committee suggest that to you or did you suggest it to the committee?

Mr. WRIGHT. I did most of the suggesting to the committee.

Mr. THOM. Did you not do it all?

Mr. WRIGHT. Probably; I will admit that.

Mr. THOM. So, then, you would say to the representative of the Department of Justice that the committee wants such and such information?

Mr. WRIGHT. No; I did not say that.

Mr. THOM. What would you say?

Mr. WRIGHT. He had his instructions from his superiors to get those papers.

Mr. THOM. To get what papers?

Mr. WRIGHT. Papers bearing on this resolution, and I gave him such information as I had as to the papers which would bear on this resolution.

Mr. THOM. In other words, what you said to him was supposed by him to be the desire of the committee?

Mr. WRIGHT. I do not know that—what his supposition was, at all.

Mr. THOM. Did you not approach him in that capacity?

Mr. WRIGHT. He approached me.

Mr. THOM. As a representative of the committee?

Mr. WRIGHT. As a representative of the committee.

Mr. THOM. And you told him what you wanted?

Mr. WRIGHT. I did.

Mr. THOM. And when you would want anything outside of that, you would write letters for Senator Tillman to sign and send out, asking for it.

Mr. WRIGHT. Frequently; yes, sir.

Mr. THOM. Did it strike you as being improper for you to have this personal and individual interest in this matter, and at the same time to seek and to accept the authority of the committee to carry out your personal and private purpose?

Mr. LYON. Mr. Chairman, do you think that question ought to be addressed to the witness, as to whether he thinks it is improper?

The CHAIRMAN. I think Mr. Thom has pursued that far enough.

Mr. LYON. It seems to me so.

The CHAIRMAN. The witness has stated the facts, that he was employed by Senator Tillman, and has been acting for his committee, and of his interest in the Black Mountain property. Whatever benefit there is to him is in the record.

Mr. LYON. Now, counsel wants to know whether the witness thinks he did a think which was improper?

Mr. THOM. I think that is a legitimate question to test the fiber of the witness, to enable the committee to consider his testimony.

Mr. LYON. I think it is highly impertinent, and I would like the committee to think the same way.

Mr. THOM. If it can be made to approach any impertinence of yours, I would be ashamed of it.

Mr. LYON. To ask a man whether he thinks what he has done is improper?

Mr. THOM. I have a right to ask the witness, and from time immemorial the courts have wanted to know, in considering the testimony of witnesses, their attitude to the subject, their estimate of moral situations, and anything which would give value to or would reduce the value of their testimony.

Mr. LYON. I withdraw it. Let him ask whether he did an improper thing or not.

Mr. THOM. What I want to know is whether he did think it was improper or proper?

Mr. LYON. Answer yes or no.

Mr. WRIGHT. I think that resolution is so broad a scope that my personal interest dwarfs into insignificance. The question at the time that resolution was passed, when I was brought into contact with either naval committee or the subcommittee, anybody's single private interest would be a small thing; the question was a broad public one, affecting the States of North Carolina, South Carolina, Georgia, Florida, Tennessee, Kentucky, and southwestern Virgina.

Mr. THOM. Now, state, please, in answer to my question whether you thought it proper or improper?

Mr. WRIGHT. I think it was entirely proper.

Mr. THOM. Then the situation is this, you are interested in this matter in just the same way as the prosecutor, Mr. Dulaney; you have gotten into the position of having the authority of this committee behind you, you gained information, furnished evidence to counsel for Mr. Dulaney, conferred with them freely, had them to aid in the preparation of your testimony, and then you get on the witness stand and testify for Mr. Dulaney. That is a fact, is it not?

Mr. WRIGHT. I was made Mr. Dulaney's witness by his attorneys here, just as you would have a right to make me your witness.

Mr. THOM. You mean that you were made a witness against your will?

Mr. WRIGHT. No; I do not.

Mr. THOM. Was it with your will?

Mr. WRIGHT. With the records I have handled and the information, whatever I have on this subject is just as open to the Southern Railway or to any of the other 18 carriers interested in these proceedings, and I want to go further, Judge, and state that if the attitude of the Southern Railway toward the collection of this testimony in the last 30 days had been at all encouraging, I would have conferred very freely with the Southern Railway officials on this subject. Whatever partisanship may be traceable back to the relatively small financial interest I have in the coal territory under discussion, I want to say that I have seen much on all sides of this question, and have dealt with it as between carriers in strict impartiality. I have seen a good deal that would help the Southern in this case, I think, if it could be gone into deeper. I have had no idea that the Southern would listen to a statement of that kind from the committee or from me. That the Southern Railway is to be seriously

injured in this transaction has never entered my mind. The thought of satisfying revenge of this appointment or of making capital against the Southern, as has been charged from the beginning, has never entered my mind. The Southern has labored the work out of its coal traffic policy to its immense disadvantages, and they have been plain to me as they no doubt have been to Southern officials.

Mr. THOM. You do not mean to make the impression by your answer that you had the same attitude toward counsel for the Southern Railway Co. in respect to this information that you gained that you had toward Mr. Dulaney's counsel?

Mr. WRIGHT. I would have been perfectly willing to have the same relations with both.

Mr. THOM. You never have approached the Southern Railway's counsel with any of it?

Mr. WRIGHT. I have wrote a lot of letters asking information and if you had signified your willingness the next day, I assume the committee would have approved my going down there to discuss the matter.

Mr. THOM. You have never been to us in preparing any of this information?

Mr. WRIGHT. I would have been perfectly willing to receive——

Mr. THOM. But did you come?

Mr. WRIGHT. No.

Mr. THOM. But did you come to the other side?

Mr. WRIGHT. I did; and I went to a great many other people.

Mr. THOM. And you spent hours upon hours with counsel upon the other side helping to prepare their case?

Mr. WRIGHT. Well, I do not know just how far you want to pile up the time there.

Mr. THOM. Give me an estimate of it.

Mr. WRIGHT. But the date has been my own work.

Mr. THOM. You went thoroughly with Mr. Dulaney's counsel into the preparation of his case?

Mr. WRIGHT. They were the only counsel in sight.

The CHAIRMAN. Just answer his question.

Mr. WRIGHT. Yes.

Mr. THOM. Then, you first represented the committee in getting it together; then took it to Mr. Dulaney's counsel and with them helped to prepare your testimony, still being the advisor and representative of this committee?

Mr. WRIGHT. We are not through the testimony yet.

Mr. THOM. I did not ask you that.

Mr. WRIGHT. In the section of testimony handled thus far, what you state is the case.

Mr. THOM. Mr. Wright, having developed your interest and your attitude in this case, I would like to know whether or not you have intended this committee to conclude in respect to such roads as the Danville & Western, the Tullalah Falls, and other roads which have been referred to here as "dead ends," that the Southern Railway Co. purchased those roads in order to prevent their extension into the coal fields?

Mr. WRIGHT. The condition to-day is, through all sections, that separate, individual effort to get across those mountains and into the coal fields and into the territory north of those mines, have all

failed and are all in the hands of the Southern Railway; and I have no opinion to offer as to the condition that is there. The passes are being guarded by the noble band of freeman, just as Mr. Harrison testified in the record last summer.

Mr. THOM. Read the question and get the witness to answer it.

The stenographer thereupon read the question, as follows:

"Now, Mr. Wright, having developed your interest and your attitude in this case, I would like to know whether or not you have intended this committee to conclude in respect to such roads as the Danville & Western, the Tullalah Falls, and other roads which have been referred to here as "dead ends," that the Southern Railway Co. purchased those roads in order to prevent their extension into the coal fields?"

Mr. WRIGHT. They have not been extended, and they are all owned by the Southern Railway. We have a condition where there is no through traffic moving under the Southern Railway control, and can not be under anybody else's as long as that condition exists.

Mr. THOM. Kindly say whether or not you intend, for the committee, to infer that the Southern Railway Co. purchased those roads for the purpose of preventing them being extended into the coal fields.

Mr. DOUGLAS. Just one moment. I object to the question on two grounds: First, it is a matter of no consequence what Mr. Wright's opinion is about what the committee may conclude; in the second place, he has given his answer twice, both entirely responsive to the questions which answer was and is that he has pointed out the facts, and it is the function of the committee to determine what inferences are to be drawn, and not Mr. Wright.

Mr. THOM. I think that question is perfectly legitimate.

The CHAIRMAN. I do not think it is going to influence the opinion of the committee what Mr. Wright's opinion may be, and the shortest way is to let him answer.

Mr. DOUGLAS. I think he has answered twice that he does not see proper to express his opinion.

The CHAIRMAN. Really, I do not think it is a question of any materiality.

Mr. LYON. He certainly is not an expert on what the committee will infer. He simply states——

Mr. THOM. I think the materiality will be shown abundantly enough.

The CHAIRMAN. Mr. Wright, do you believe that was the purpose of putting those dead ends in there; do you think that is the purpose, to shut out other roads from entering the coal fields? If you do, say so.

Mr. WRIGHT. I believe that those roads were acquired to restrain trade.

The CHAIRMAN. That does not answer the question. What trade; coal?

Mr. WRIGHT. All freights.

The CHAIRMAN. Including coal?

Mr. WRIGHT. Including coal.

The CHAIRMAN. That answers the question.

Mr. WRIGHT. And that nothing can be done toward relieving that restraint until the Southern sees fit.

Mr. THOM. Was it the purpose of the Southern, according to your view, to restrain trade by buying those roads in order to prevent them from being extended into the coal fields?

Mr. WRIGHT. In order to develop that phase of it fully, I asked Senator Tillman to write to the Southern Railway for specific information, in each case, requesting that the report of the officials operating traffic who examined those roads before purchase should be given to the committee. I thought that would develop the intent and purpose. Had we gotten those replies it would have helped very much.

Mr. THOM. The chairman of this committee is now present and it is proper for me to put into the record at this time something the acting chairman of the committee, Senator Johnson, suggested the other day should be deferred until your honor resumed the position of presiding over this investigation. I made the statement in your absence that these letters that Mr. Wright now refers to were carried by me to the chairman of this committee, Senator Bryan, as soon as he reached the city after the recent vacation, and the statement made by me that these letters did not, in my view, come within the scope of the resolution, and I asked the chairman whether or not that information should be filed now or we should wait the action of the committee in ruling upon the scope of the resolution; and that the chairman's conclusion was that the proper way to deal with this subject was to present the matter to the committee after it was formed and get the ruling before the information was furnished.

The CHAIRMAN. Well, if you will leave the letters with us—I have not read them——

Mr. THOM. We will do it, of course. I am stating that as the reason why the information was not brought in.

The CHAIRMAN. That was stated the first day—that it was a question that the Southern did not think ought to be required to produce under the terms of the resolution——

Mr. THOM. Yes.

The CHAIRMAN. The chairman did not care to decide without consultation with all the members of the committee.

Mr. THOM. I quite understood that; but it being made a matter of——

The CHAIRMAN. Mr. Thom, it may be well for you to leave those letters with us, and I will get the committee together and examine the letters and let you know what is to be done about it.

(By request, the stenographer read the following question:)

"Was it the purpose of the Southern, according to your view, to restrain trade by buying those roads, in order to prevent them from being extended into the coal fields?"

Mr. THOM. I would like to have an answer to that question.

The CHAIRMAN. Mr. Wright, answer his question.

Mr. WRIGHT. I beg your pardon; repeat it.

(Thereupon the stenographer repeated the question as requested.)

Mr. DOUGLAS. I think he has answered that question.

The CHAIRMAN. I think he has, but he may answer it again.

Mr. WRIGHT. I think——

The CHAIRMAN. Answer "yes" or "no."

Mr. WRIGHT. Yes.

Mr. THOM. That is the first time I understand he has answered it.

When did the Southern acquire the Danville & Western, which is a road extending from Danville to Stuart?

Mr. WRIGHT. When did the Southern acquire it?

Mr. THOM. Yes.

Mr. WRIGHT. You stated last Friday that it acquired it from the Richmond & Danville. If that is correct, they took it over in 1894.

Mr. THOM. Do you know anything to the contrary of that; do you know that they acquired it at any other time than that?

Mr. WRIGHT. I do not.

Mr. THOM. So that the Southern acquired the Danville & Western as a part of its acquisition of the main body of its system, did it?

Mr. WRIGHT. You stated they took it over at that time.

Mr. THOM. Then, how could they have acquired that road for the purpose of preventing it being extended into the coal fields?

Mr. WRIGHT. It is a permanent carrier to any proposition of that kind, Judge.

Mr. THOM. No; but I understand you to have admitted that the Southern acquired that when it acquired the line from Alexandria to Greensboro, and all its main lines as a part of the same transaction?

Mr. WRIGHT. I quoted your own statement.

Mr. THOM. I ask you if you know anything to the contrary?

Mr. WRIGHT. I do not.

Mr. THOM. Now, I say if it acquired it as a part of the acquisition of the first part of the system it did acquire, how could it have acquired that particular part for the purpose of preventing its extension into the coal fields?

Mr. WRIGHT. It would make an excellent defense line. It is 75 miles long out into Stuart, in Patrick County, in the direction any road would naturally go that was trying to set up a competing line from tidewater to the coal fields.

Mr. THOM. But in acquiring that it did not deal with that line separately; it dealt with it as a part of the system it was acquiring—for the reorganization of the Richmond & Danville system.

Mr. WRIGHT. It kept it as a separate corporation, did it not?

Mr. THOM. Yes.

Mr. WRIGHT. It is to-day separate legally and operated separately?

Mr. THOM. It was separate all the time, was it not; it has not been changed?

Mr. WRIGHT. I understand.

Mr. THOM. And it acquired the interest it did all at the same time it acquired the main line, and it was part of the same transaction.

Mr. WRIGHT. I am quoting you.

Mr. THOM. So you know nothing to the contrary?

Mr. WRIGHT. I know nothing to the contrary.

Mr. THOM. And if that be so, how can it be that it acquired that property for the purpose of preventing it being extended anywhere?

Mr. WRIGHT. It would be an excellent defense line just in the condition it is.

Mr. THOM. That does not go to the motive; that goes to the fact of whether or not it is a defense line. That does not go to the motive in acquiring it. You have just stated that the Southern acquired that

line for the purpose of preventing its extension into the coal fields. Now, how can you testify to that when the Southern acquired it along with its main line and with the balance of the system it acquired?

Mr. WRIGHT. It holds it as a menace to any line that could possibly——

Mr. THOM. Then you shift your testimony now from the motive which actuated its acquisition to the motive which actuated its holding; is that it?

Mr. WRIGHT. I would like to hear my answer read in which I stated that they purchased that for that specific purpose.

Mr. THOM. Your answer was a brief one; your answer was "yes."

Mr. DOUGLAS. Your question was as to all these roads, not as to this particular one.

Mr. WRIGHT. Certainly it was.

Mr. DOUGLAS. I do not think that is a fair statement.

Mr. THOM. If the witness wants any of his testimony read, I think he is entitled to have it done.

The CHAIRMAN. I do not know as it is necessary; I remember all he said.

Mr. THOM. All right.

The CHAIRMAN. Mr. Wright remembers the question and answered it several times.

Mr. WRIGHT. I remember it referring to several railroads at once, and I answered the question on that basis.

Mr. THOM. And when I referred to several roads I included the Danville & Western and Tallulah Falls, and you answered "yes."

Mr. WRIGHT. If you are going to deal with each one separately I want to change that reply as to the Danville & Western.

Mr. THOM. What is now your attitude about the Danville & Western?

Mr. DOUGLAS. Now, Mr. Chairman, I submit that is not a fair statement of what Mr. Wright has said, not a fair comment by the counsel. He says, "Do you want to change your attitude?" He said, "He has changed his attitude," when he did not say a word about that particular road whatever. He asked about all these roads and all "dead ends," and insisted on his giving an opinion. He said he thought they were generally acquired.

The CHAIRMAN. All right; if there is anything you want to say about the Danville & Western, now say it.

Mr. WRIGHT. I wish to state that the letter signed by Senator Tillman and addressed to Mr. Fairfax Harrison requests all of that information concerning the Danville & Western Railroad and is unanswered.

Senator CHILTON. Senator who?

Mr. WRIGHT. Senator Tillman.

Mr. THOM. That has not the least thing to do with the question. The question is what the witness's attitude now is in respect to the Danville & Western, whether he still contends that that was bought by the Southern Railway Co. for the purpose of preventing its extension into the coal fields.

Mr. DOUGLAS. I object to the question as a misstatement of what the witness has said; the witness has never said that.

The CHAIRMAN. Now, Mr. Douglas——

Mr. DOUGLAS. I have a right, whenever counsel misstates testimony, o call it to the attention of the committee. The counsel is entitled o examine this witness, but it is his duty to do so fairly and not to tate something that he did not say, and then charge him with havng changed his attitude when he has not.

Mr. THOM. I said nothing but what the witness said and not a hing he did not say.

Mr. DOUGLAS. That is my recollection; and I challenge you by he record.

Mr. THOM. The record has it.

Mr. DOUGLAS. I make this statement——

Mr. THOM. I am not going to sit here and permit these statenents to go on about me. The gentlemen may think because I repreent a railroad I have no rights and can be run over. I have a perional right in this matter, and I am not going to be run over.

Mr. DOUGLAS. I may say this, Mr. Chairman: I have no desire to mpinge upon the counsel. I mean no disrespect to him, but I do mean o discharge my duty here as fearlessly as you mean to discharge ours, and I can not be intimidated by any such insinuations. I have ıot said anything in reflection upon Mr. Thom. If I am a halfway awyer and have a molecule of courage, I have a right, when I believe hat Mr. Thom has misstated Mr. Wright's testimony, to call the attenion of the committee to it. I say once more I think that Mr. Wright ıad not answered the question in the way Mr. Thom put it. Mr. Thom ısked him about "dead ends" generally, if he meant to say that the Southern acquired the "dead ends" for this purpose. Now he underakes to say that he said this about the Danville & Western Railroad ıs having been acquired for this purpose and then to say that he hanged his attitude.

The CHAIRMAN. If Mr. Wright wants to make an exception of the Danville & Western, let him say so and then go on and say why.

Mr. THOM. Mr. Chairman, I mentioned the Danville & Western ınd Tallulah Falls as two of the roads included in this question.

The CHAIRMAN. I remember exactly what you said. You menioned those two and then said what had been described as "dead ınds" generally.

Mr. THOM. I mentioned the Danville & Western, and I do not beieve Mr. Douglas was in the room.

The CHAIRMAN. If you want to say more about the Danville & Western, and opinion about the acquisition of it, and the purpose of t, why, state it. I do not imagine the committee will be governed very much by Mr. Wright's opinion. The fact as stated is that rom which we will draw our own conclusions.

Mr. LYON. It seems to me that ought to be the attitude of the comnittee in this matter instead of his opinion about it.

The CHAIRMAN. I say I do not think there is any materiality in it, but perhaps the shortest way is to let the witness state it as Col. Thom wants it.

Mr. WRIGHT. It would be impossible for me to know what was in he minds of people 20 years ago.

Mr. LYON. I just suggest the witness say so, and that will end it.

The CHAIRMAN. That will shorten it.

Mr. THOM. I would like for the witness to answer my question and not have counsel answer it. I am making a cross-examination of this witness. I am disputing his statement and his inferences.

The CHAIRMAN. In the first place, you asked him for his opinion and I stated that I did not see that that would be of any benefit to the commitee, but if you insisted on him giving his opinion, in order to shorten it and get done with the argument, to let him state his opinion.

Mr. THOM. I am asking the same question as Senator Smith asked the other day—as to whether or not that was the argument.

Mr. LYON. Mr. Chairman——

The CHAIRMAN. Just a minute. I do not care to sit here and hear Mr. Wright's opinion as to the purpose of the Southern Railway in these matters; unless he has facts to state I do not care to hear him testify. I do not see that his opinion, unless it is given as an expert on rates or something of that kind will be of any benefit to us. It is true that you asked him his opinion generally as to the purpose of the Southern in acquiring these pieces of railroads. He gave that. Then you want to know if he will stand by that opinion so far as the Danville & Western is concerned.

Mr. LYON. May I have just a minute? I think Senator Poindexter asked what it was, what inferences we expected to draw from these facts. As counsel for Mr. Dulaney I will express what inferences we are going to draw.

The CHAIRMAN. That was in order to rule upon the testimony then offered.

Mr. LYON. And Mr. Wright is not an expert at guessing as to what the Southern Railway intended to do with certain physical property it acquired, and we certainly did not submit him as such. The lawyers will draw the inferences from the facts and the argument, and not the witness on the stand. There is no such thing as an expert on such matters.

Mr. THOM. Of course, your honor, it is manifest that I can not be expected to leave the charge that the Danville & Western and other roads similarly characterized by this testimony were bought up by the Southern coupled with the suggestion that that was done to prevent their extension into the coal fields, especially when that very inference was made the basis of the ruling of this committee, that they would go into those questions because of that fact.

The CHAIRMAN. Mr. Thom, let me ask you, have you not developed from him that this piece of road was acquired in 1894, when the Southern was acquiring all of its property, and putting itself upon the "map," as you say; has not that been developed?

Mr. THOM. That has been developed.

The CHAIRMAN. Is not that as far as you care to go with it?

Mr. THOM. I am addressing myself now to the relevancy——

The CHAIRMAN. No; you are asking him if he believed——

Mr. THOM. I am addressing myself——

The CHAIRMAN. That was the purpose of the Southern 20 years ago.

Mr. THOM. When I am addressing the Chairman I am addressing myself to the relevancy of this, and your Honor rules that is relevant. Now, I have a right, in trying to estimate and get this committee to estimate the value of this witness's testimony, to find out what

basis he has; and as a means of getting at the basis he has, I first asked him as to his belief. Now, as to his belief, if he says it is believed, in the light of the facts that will be presented here either through the cross-examination or otherwise, the committee will see, in my judgment, and from my standpoint, the baselessness of his charge.

Mr. LYON. If he will just confine himself to asking Mr. Wright as to the facts for Mr. Thom's benefit, I will tell him I will draw my inference and argue it from the facts presented by this witness, together with the witnesses presented by the railroad, but as to what Mr. Wright may think about it, can that help the committee? It can not help counsel, no matter what his opinion would be, and it can be of no consequence.

The CHAIRMAN. I do not think so.

Mr. LYON. That ends it.

Mr. THOM. Suppose we think it is so, and we think he has formed a wrong opinion?

Mr. LYON. If the committee says that is not so, it ends it.

Mr. THOM. I think that would have a very important bearing upon the question, but as a basis——

The CHAIRMAN. Mr. Thom, I do not think his opinion as to why those roads were acquired is admissible, or any of them.

Mr. THOM. Do you charge Mr. Wright——

The CHAIRMAN. The committee allowed the testimony to go in because it appeared to the committee from the testimony—not from anybody's opinion—from Mr. Harrison's statement that he had acquired certain railroads leading into or toward the coal mines, and we allowed testimony as to the cost of those roads and as to whether they were possible investments to be offered in evidence. Now, it is perfectly immaterial as to what opinion this witness has to the purpose of the Southern Railroad in acquiring that property. If the committee assumed or acts at all in the capacity of a jury or of a court in drawing its conclusions from the facts offered, then we do not care for his opinion.

Mr. THOM. Do you mean by your testimony to charge that the Danville & Western was purchased by the Southern Railway to prevent its extension into the coal fields?

Mr. LYON. I object to that question on the same ground that I objected to the other, and which testimony was excluded by the committee. Mr. Wright is not making charges here, but he is a witness to testify as to facts.

The CHAIRMAN. I do not care to hear any argument any further. I do not think it makes any difference what his opinion is.

Mr. THOM. I asked him whether he means to make that charge by anything that he has testified to.

The CHAIRMAN. I do not think that is admissible, because he is not making the charges. Certain resolutions have been adopted by the Senate calling for an investigation.

Mr. THOM. He has referred to a number of charges made, not in the resolution but made by another witness. Why is it all these questions of charges should be gone into in examination in chief and I can not go into them on cross-examination?

The CHAIRMAN. I do not know whether you could call them charges. Mr. Wright called them charges, but that did not make them so. There were certain propositions laid down here for examination under the resolutions and Mr. Wright denominated those as charges.

Mr. LYON. I am responsible for those charges. I told the witness that Mr. Delaney had made certain propositions, and I termed them charges. I want the witness to state the facts.

The CHAIRMAN. We do not care to hear his charges. We are here investigating under certain resolutions.

Mr. THOM. And I am probing the witness.

The CHAIRMAN. Asking if he charges so-and-so.

Mr. THOM. Yes; because that is a part of the legitimate cross-examination.

The CHAIRMAN. I think you ought to be limited to facts to which the witness has testified to, and you can cross-examine him on facts that he has attempted to bring out in his direct examination.

Mr. THOM. Do you know, Mr. Wright, that long before the Southern Railway had any interest in that property—the Danville & Western—that the property was acquired by the Richmond & Danville Railroad, the predecessor of the Southern?

Mr. WRIGHT. I do not.

Mr. THOM. Do you not know that the Danville & Western is a successor company to the Danville & New River Railway?

Mr. WRIGHT. I do.

Mr. THOM. Do you not know that the Richmond & Danville helped in the construction of the Danville & New River Railway, the predecessor of the Danville & Western?

Mr. WRIGHT. I take it that they were paid for allowing them the use of its tracks for 5 miles from Stokesville into Danville.

Mr. THOM. Do you not know that the Danville & New River was a narrow-gauge railway?

Mr. WRIGHT. No.

Mr. THOM. Do you not know that it was an expensive piece of construction to get the Danville & New River Railway into Danville because of the Dan River, and that in order to obviate that difficulty the Richmond & Danville permitted the use of its tracks and the laying of a third rail, because the Danville & New River was a narrow-gauge railroad, in order for it to get into Danville at all?

Mr. LYON. I suggest that Mr. Thom can be made the witness.

The CHAIRMAN. He can ask him that.

Mr. THOM. If I am not allowed to ask any questions on cross-examination, I wish the committee would please tell me now and I will stop.

The CHAIRMAN. Go ahead, Mr. Thom. I think that is legitimate.

Mr. WRIGHT. I do not know that.

Mr. THOM. Your investigation did not go that far to show you that the Danville & New River used to be a little narrow-gauge railroad, and that the only way it got into Danville at all was by the help of the Richmond & Danville.

Mr. WRIGHT. I inferred that from knowing that it used the Southern Railway's tracks into Danville for 5 miles. That condition probably existed before the Southern Railway took over the Richmond & Danville.

Mr. THOM. Do you not know, moreover, that the Danville & New ver had every opportunity that it wanted to extend into the coal lds and that the people who attempted it broke down, went into nkruptcy, and the project absolutely failed?

Mr. WRIGHT. I do not know that, but that is the common fate of st of those early efforts.

Mr. THOM. And is it your contention that notwithstanding the ilure of that that the Southern Railway Co. ought to have taken up and extended it there, notwithstanding the difficulties of do- g it?

Mr. WRIGHT. The Southern possesses 280 miles of track from uart to West Norfolk, which has always been an invitation to make ompeting line with the Norfolk & Western on coal if the Southern sired to do so.

Mr. THOM. Please confine your answers now to the Danville & estern, because the Atlantic & Danville from Danville west was t acquired until many years after. I want my question now as to e Danville & Western.

Mr. LYON. I object to the question for the same reason that this s been ruled out, that Mr. Wright has no contention to make d he is here simply to testify to facts. That has been ruled out o or three times, and it seems to me it is persisted in.

The CHAIRMAN. The objection is sustained.

Mr. THOM. If the Danville & Western had been extended to the orfolk & Western at a place called Galax, then the only access it ould have had to the coal fields would have been over the Norfolk Western road, would it not?

Mr. WRIGHT. That would be true, if anybody did such a foolish ing.

Mr. THOM. Then, you have no objection to expressing your opin- n when you feel that you can add it on that side of the question?

Mr. LYON. I object to that line of questions.

Mr. THOM. So you say it would have been foolish to have extended e Danville & Western to Galax?

Mr. WRIGHT. I never heard that proposition offered before.

Mr. THOM. I understood you to offer it in your examination in ief.

Mr. WRIGHT. Not as to Galax.

Mr. THOM. You do not, then, in any way suggest the propriety having it extended to Galax?

Mr. WRIGHT. No; not when it crosses the same line at Martinville.

Mr. THOM. In other words, the Danville & Western already has a nnection with the Norfolk & Western at a point east of Galax, mely, Martinville?

Mr. WRIGHT. It does. I never heard any one suggest that it be nnected up with Galax before.

Mr. THOM. Then I entirely misunderstood your examination in ief if you did not do it. But if I did think so, I have entirely mis- terpreted you. That was not your view at all?

Mr. WRIGHT. The natural connection with Galax was from Mount iry, with the Cape Fear & Yadkin Valley. I will be glad to discuss at connection.

Mr. THOM. I will come to that after a while. Then, what would have cost to extend the Danville & Western from Stuart west to the coal fields?

Mr. WRIGHT. I have not the faintest idea at all.

Mr. THOM. Then you do not know whether it was a practical suggestion to do it, not knowing the cost?

Mr. WRIGHT. It runs through the same general country as the Norfolk & Western. I have always believed that the Bristol & Danville construction would have been by now a paying proposition.

Mr. THOM. You say that without having the least idea of what it would cost.

Mr. WRIGHT. It was not as expensive as you inferred the other day. Thirty-three million dollars is shown in the testimony.

Mr. THOM. I never said that in the testimony.

Mr. WRIGHT. That was printed in the testimony, but that was clearly a misprint.

Mr. THOM. Then why did you refer to it? Without the least idea of what it would cost, you think it is a practical thing to have carried it through, and that it is a matter that the Senate of the United States should justly look into the fact that it has not been extended through there.

Mr. WRIGHT. Suppose you analyze it.

Mr. THOM. Is that all the answer you care to make?

Mr. WRIGHT. You are carrying the Danville & Western, the Atlantic & Danville in practically its original condition when you took it over, and you reported it as having 56-pound rails. It is practically $1,000,000 in the combined operating deficit of the two. If any inference can be drawn, you are carrying it for the purpose of insurance against the introduction of competition into that section or you would not be willing to pay such a heavy premium. The extension through to Bristol would give some chance to do something but the cost of that extension and the return on that extension would have to be dealt with in connection with the other two pieces of the through line.

Mr. THOM. Mr. Chairman, I now submit that I have a right to examine the witness as to the basis of his inference, and he has expressed in his own defense an opinion which I was prohibited from asking at all.

Mr. LYON. I object to the inferences of the witness, whether they favor my side or the other.

The CHAIRMAN. I do not see what the inferences of the witness have to do with the issues here, whether on one side or the other.

Mr. LYON. I object to his giving any inference.

The CHAIRMAN. We are not sitting here to exercise or show whether we have any knowledge of the rules of evidence. We do not want to be too strict, and at the same time opinions of the witness are not of value to this committee, whether expressed for one side or the other. I think we will be able to sift the facts from the opinions and draw our own conclusions. I do not care to be ruling continuously according to the strict admissibility of evidence.

Mr. THOM. Do you not think the rulings so far made have kept me pretty closely down?

The CHAIRMAN. I do; and I think under that view of the propo-
ion this question should be answered. Suppose we strike out the
estion and the answer.
Mr. THOM. It is for the committee to determine what they will do.
The CHAIRMAN. If you want that in there, you can have it.
Mr. THOM. I just want an opportunity of cross-examining this
tness, of sifting him to the bottom. That is what I want.
The CHAIRMAN. If you limit him to facts and not as to his opinions
d conclusions, all right; you may proceed.
Mr. THOM. Very frequently you can ask a witness on cross-exami-
tion for his opinion as a basis for sifting what his attitude is.
The CHAIRMAN. We will allow you a little liberty for a while and
how you get along. If it goes too wide, we will have to apply
e rules more strictly.
Mr. THOM. Mr. Wright, do you know that any money could have
en obtained to build that road through from Stuart to the coal
lds, or to an available connection to the coal fields?
Mr. WRIGHT. I do not.
Mr. THOM. Do you or do you not know that efforts were made by
hers to secure the money to go through into that coal field, and that
ey failed?
Mr. WRIGHT. No; I do not.
Mr. THOM. And you have no reason whatever to know that any
oney would have been available to extend that road through to a
nnection with the coal field?
Mr. WRIGHT. I do not.
Mr. THOM. You have continually referred to the Danville & West-
n as a part of a line from Stuart through Danville to Norfolk.
o you not know the fact that the Altantic & Danville, which is a
ad from Danville to Norfolk, was not acquired by the Southern
til five years after it had acquired the Danville & Western?
Mr. WRIGHT. It was so testified by Mr. Harrison.
Mr. THOM. Do you question it?
Mr. WRIGHT. Not at all.
Mr. THOM. Then, when the Southern was dealing with the Dan-
ille & Western, they were not dealing with the proposition of a rail-
ay running from Stuart through Danville to Norfolk, but only
ith a railroad from Stuart to Danville. Is not that so?
Mr. WRIGHT. At that time, that was so.
Mr. THOM. And the other proposition from Danville to Norfolk
as an entirely different, separate, and distinct transaction, was it
ot?
Mr. WRIGHT. The rental of it is apparently so, from the record.
Mr. THOM. You know nothing to the contrary of that?
Mr. WRIGHT. I do not know what was in their minds when they
ok it.
Mr. THOM. You know it was five years afterwards?
Mr. WRIGHT. It was.
Mr. THOM. Now, you have stated that the Atlantic & Danville is
arallel with a road the Southern Railway already owned at the time
ey acquired it, from Danville to Richmond?
Mr. WRIGHT. To West Point.
Mr. THOM. Through to West Point?

Mr. WRIGHT. To tidewater at West Point.

Mr. THOM. How far is West Point from Norfolk?

Mr. WRIGHT. West Point is on the York River.

Mr. DOUGLAS. Do you mean by rail?

Mr. THOM. I mean how far is it by water?

Mr. WRIGHT. It is probably 40 miles.

Mr. THOM. From Norfolk?

Mr. WRIGHT. From West Point to Norfolk, I understand your question.

Mr. THOM. Yes.

Mr. WRIGHT. That is up on the York River.

Mr. THOM. How far is the mouth of the York River from Norfolk?

Mr. WRIGHT. Well, you have the York, the Wicomico, and the Piankatank, and then the Potomac. The mouth of the Potomac is—

Mr. THOM. Did I say the Potomac?

Mr. WRIGHT. I am trying to get the distance. It is a matter easy to answer as the Bay Line folder shows it. I do not believe the distance is more than 50, nor less than 40 miles.

Mr. THOM. In going to Norfolk from the mouth of the York River you have to go down the Elizabeth River, across the mouth of the James and by Old Point Comfort.

Mr. WRIGHT. It is 15 miles to Old Point.

Mr. THOM. It is not that far. It is 12. Then you have to go beyond that up the mouth of the York River, which is some distance beyond Old Point?

Mr. WRIGHT. Yes, sir.

Mr. THOM. Then you have to go up the York River, all the way nearly to Richmond?

Mr. WRIGHT. Thirty-nine miles from Richmond.

Mr. THOM. It is 39 miles across from Richmond, but it is probably 75 miles, I should say without knowing it, from the mouth of the York River up to West Point.

Mr. WRIGHT. If this is the desire to get the facts, the actual distance into the record, I can easily secure that and put it in.

Mr. THOM. It is about 195 miles from West Point to Norfolk by water.

Mr. WRIGHT. That is the distance to Baltimore.

Mr. THOM. It does not make any difference.

Mr. WRIGHT. Not unless it has been changed.

Mr. THOM. You say it is 40, and I say it is nearer 195. Suppose you get it and put it in.

Mr. WRIGHT. I will put it in.

Mr. THOM. Do you not know that West Point, under the old Richmond & Danville management, was the tidewater terminus of the Richmond & Danville system?

Mr. WRIGHT. It was.

Mr. THOM. And do you not know that it was so far from Norfolk, that when the Southern Railway Co. was organized, it moved its tidewater terminus from West Point down to Norfolk?

Mr. WRIGHT. I do. But they still kept West Point for its Baltimore connection.

Mr. THOM. Do you not know that the road from Richmond to West Point was allowed, until a few years ago, to run down until

they could hardly use it, and that there was no traffic there in consequence?

Mr. WRIGHT. I know they had 36-pound rail on it for a long time. Whether they grew there, or simply were not renewed for a long time, I can not say.

Mr. THOM. Do you not further know that the only road that the Southern had any real interest in, excepting a trackage arrangement in Norfolk, is the Danville & Norfolk from Danville to Norfolk?

Mr. WRIGHT. I do.

Mr. THOM. The only other way it has of getting to Norfolk is through Selma, and by trackage arrangement with the Atlantic Coast Line to Pinner's Point, is not that true?

Mr. WRIGHT. That is true.

Mr. THOM. And that is a single-track railway, is it not?

Mr. WRIGHT. I do not know that it is a single-track road, but evidently it has borne the burden of the traffic, because the Interstate Commerce Commission's statement shows that it is not on the Atlantic & Danville.

Mr. THOM. You do not know that that is a single-track railroad, do you?

Mr. WRIGHT. I have no knowledge.

Mr. THOM. Is it not entirely conceivable that having only a single-track road to depend on between Selma, N. C., and Norfolk, Va., for the traffic of both the Atlantic Coast Line and of the Southern Railway, that it was the part of wise management to obtain another entrance ino Norfolk, which the Southern could itself control?

Mr. WRIGHT. It might have been. I do not know.

Mr. THOM. It may have been, and is not that equally as just an inference as a sinister one that it got its interests into Danville to shut off something from the coal field?

Mr. WRIGHT. You are dealing now with the inception of the idea of leasing the Atlantic & Danville. To-day's conditions, with enormous deficits resulting from that, are different.

Mr. THOM. Let us confine ourselves to the inception of it. Have you anything to say about that, as a tenable theory of its inception?

Mr. WRIGHT. I have no idea of why they acquired it.

Mr. THOM. Then you have nothing to say against that. Now, let us come to the present. You say, however, that now having it and having a deficit from its earnings, that the Southern Railway Co. ought to extend it and the Danville & Western into the coal field as good business management.

Mr. WRIGHT. I have no opinion to offer.

Mr. THOM. You have not. Now, you say that the Atlantic & Danville has a deficit. Do you know whether the earnings of the Atlantic & Danville, in the amounts that you have seen, or estimated, credited to the Atlantic & Danville, are simply the part of the earnings accruing on its own rails?

Mr. WRIGHT. I do not.

Mr. THOM. Do you not think that likely?

Mr. WRIGHT. I take Mr. Harrison's statement as a statement of fact.

Mr. THOM. Has he said anything on that subject?

Mr. WRIGHT. He has not. He said what the earnings and expenses were.

Mr. THOM. From your acquaintance with railroad matters, is it not likely that the amount of earnings on the Atlantic & Danville, which you have seen, has been arrived at by crediting to it simply that part of the earnings which were earned upon its own rails?

Mr. WRIGHT. Local traffic?

Mr. THOM. Local traffic and that part of the through traffic, the mileage being confined to the Atlantic & Danville rails.

Mr. WRIGHT. I should think it would be entitled to that credit.

Mr. THOM. And you think that is probably the way it was done?

Mr. WRIGHT. I have not any opinion to offer as to how the books were kept.

Mr. THOM. Well, if that is the way it was done, is that, in your judgment, the only value of a feeder company to a system?

Mr. WRIGHT. That is an involved question.

Mr. THOM. Let us take this for example: Suppose a carload of traffic originates on the Atlantic & Danville road destined to Atlanta, and might come either to the point where the Atlantic & Danville road crosses the Atlantic Coast Line and go that way, or to the Seaboard and go that way, or go to Danville and go over the lines of the Southern. If the Southern controls the Atlantic & Danville it could, of course, control the routing of that car.

Mr. WRIGHT. It could.

Mr. THOM. And it would have the advantage of not only what was earned on the rails of the Atlantic & Danville itself but also having that which was earned from Danville to Atlanta on the main line of the Southern.

Mr. WRIGHT. The proposition is correct.

Mr. THOM. So that it is unfair, in trying to arrive at the value of a feeder line to a system, to consider the earnings simply up to the point of the junction, is it not?

Mr. WRIGHT. If there is any traffic originating on the Atlantic & Danville which possesses a good-will value to the rest of the system it ought to be credited to the Atlantic & Danville.

Mr. THOM. Do you not know it to be a fact that if you take almost any individual road and separate it off by itself, such a road has no larger proportions than the proportions of a feeder; that there is hardly one of those roads in the United States that is profitable of itself, considered in and of itself?

Mr. WRIGHT. I know some that are.

Mr. THOM. And you know a great many that do not?

Mr. WRIGHT. It is the history of a good many of them that they do not.

Mr. THOM. But at the same time, when you throw them together in a system and show them as feeders it becomes a beneficial transaction, does it not?

Mr. WRIGHT. It does.

Mr. THOM. Now, let us take the Tallulah Falls road. The Tallulah Falls road is a railroad running from Cornelia, in the State of Georgia, north to a place called Franklin, in the State of North Carolina, is it not?

Mr. WRIGHT. It is.

Mr. THOM. You have alluded to the Carolina, Tennessee Southern, and the Tennessee and Carolina Southern. Please explain to the committee what those two roads are.

Mr. WRIGHT. Those are two lines built by the Southern Railway; the more northerly one, the Tennessee, Carolina & Southern, connects with the Knoxville & Augusta and runs to Chilhowee, Tenn., near the Tennessee and North Carolina State line, in the valley of the Little Tennessee River. The Carolina & Tennessee Southern occupy the same valley from Fontana to Bushnell, where it connects with the Murphy Branch of the Southern Railway.

Mr. THOM. In other words, one of those companies, to wit, the Carolina & Southern, is a North Carolina corporation with the right of eminent domain in North Carolina, and the Tennessee & Carolina Southern is a Tennessee corporation with the right of eminent domain in Tennessee, both of them organized by the Southern Railway Co. for the purpose of using them to construct a road along the Little Tennessee River from Tallulah Falls to its lines in Tennessee?

Mr. WRIGHT. That is the statement contained in the annual report of 1909 to the stockholders.

Mr. THOM. Did not the Southern Railway Co. not only charter those companies, but actually do a great deal of construction on that line?

Mr. WRIGHT. They did.

Mr. THOM. Were they not stopped by the people who owned the water power of the Little Tennessee River, and did they not have extensive litigation over the right to condemn that property, and if the right of eminent domain exists would they not have to pay for the value of the water power?

Mr. WRIGHT. My information on that is that the Aluminum Co. of America——

Mr. THOM. I am talking about the predecessor to that company. I am coming to that company later. I am talking about the litigation with the predecessors of the Aluminum Co. of America.

Mr. WRIGHT. I am not advised as to that situation.

Mr. THOM. You know nothing to the contrary of that statement, do you?

Mr. WRIGHT. I do not.

Mr. THOM. You also know that the Aluminum Co of America has bought in that water power, do you not?

Mr. WRIGHT. Yes; they have a plant at Alcoa.

Mr. THOM. They are a very strong company, are they not?

Mr. WRIGHT. Very strong company.

Mr. THOM. And they are proposing, in the waters of the Little Tennessee River, a very extensive development of water power, are they not?

Mr. WRIGHT. They are.

Mr. THOM. Do you not know the fact that if they do develop that water power it will require the construction of very high dams according to their plans?

Mr. WRIGHT. Very high.

Mr. THOM. And if those dams are constructed, that it will put the construction of the railroad on the river level away up on the side of the mountain?

Mr. WRIGHT. If the river is raised by the construction of a dam, the railroad will have to keep out of the water.

Mr. THOM. And that puts it up on the side of the mountain and deprives it of the level of the river.

Mr. WRIGHT. It is on the New River level.

Mr. THOM. It deprives it of the present river level.

Mr. WRIGHT. It does.

Mr. THOM. And makes it more difficult and costly of construction?

Mr. WRIGHT. You will have to move more yards of earth to get about seven-tenths of a 1 per cent grade.

Mr. THOM. Do you not know the expense has increased something enormously?

Mr. WRIGHT. It ought to be increased considerably by going higher up on the hill. I concede that.

Mr. THOM. If the road did not go up on the mountain and keep out of the way of the water power, it would destroy the water power and the capacity of developing the river into water power.

Mr. WRIGHT. They would have to keep the dam below the railroad level.

Mr. THOM. If the railroad level was the river level, then they could have no dam there at all.

Mr. WRIGHT. That is true.

Mr. THOM. Now, there was an effort, which has cost the Southern Railway Co. a great deal of money, to get through that mountain.

Mr. WRIGHT. There is some heavy work in there.

Mr. THOM. And they have expended a great deal of money there.

Mr. WRIGHT. That is plain from the annual report.

Mr. THOM. So there was an effort to get through to the Tallulah Falls Railroad?

Mr. WRIGHT. I have not stated to the contrary.

Mr. THOM. Then it was not the purpose of the Southern Railway Co. to keep it from going to Tallulah Falls from the coal fields?

Mr. WRIGHT. The purchase?

Mr. THOM. Yes.

Mr. WRIGHT. I had no knowledge of the idea.

Mr. THOM. What has happuened is that the Tallulah Falls was purchased, that two railroad companies, one in North Carolina and the other in Tennessee, in order to get the right of eminent domain in the two States, were created by the Southern Railway Co., the construction was carried on to a very substantial extent in trying to get through there. That is the fact, is it not?

Mr. WRIGHT. It is the fact. There is no doubt about the effort.

The CHAIRMAN. Mr. Thom, will you state for the record when the Southern Railway Co. acquired the two pieces of road from Fontana to Knoxville?

Mr. THOM. I do not happen to have that in my mind, but I think they acquired them when they acquired the East Tennessee, Virginia & Georgia Railroad.

The CHAIRMAN. When was that?

Mr. THOM. When they reorganized the Southern Railway Co. in 1894.

The CHAIRMAN. When did they acquire the piece of track from Cornelia to Franklin?

Mr. THOM. I think you stated that, Mr. Wright.

Mr. WRIGHT. I did.

Mr. THOM. I would like to have you state it now, for I do not remember.

Mr. WRIGHT. Mr. Harrison stated that. The Tallulah Falls Railway was acquired in July, 1905. The Knoxville & Augusta, that the Judge speaks about, was controlled by the East Tennessee, Virginia & Georgia prior to the reorganization in 1894, and came into the Southern with it.

The CHAIRMAN. Put into evidence when it was they were prevented from crossing the Little Tennessee River by litigation.

Mr. THOM. That has been within the last few years.

The CHAIRMAN. Since 1905?

Mr. THOM. Yes. I will probably be able to give you some interesting historical information about that. There is a railroad—probably not on the map—called the Blue Ridge Railroad, which runs from a place called Anderson, S. C., up toward Rayburn Gap. The Tallulah Falls likewise runs up in that direction. We could not carry the Blue Ridge Railroad for some reason. It was the dream of John C. Calhoun to get through the mountains down to South Carolina, through that Rayburn Gap and in that direction.

The CHAIRMAN. Where is Rayburn Gap?

Mr. THOM. Just beyond the Tallulah Falls Railroad; that is the way they were going through. In carrying out and realizing that dream, this Tallulah Falls Railroad was acquired by the Southern Railway, and since I have been general counsel of the Southern Railway—in 1905—there has been this question arising between us and the owners of the water power on the Little Tennessee River, as to whether, in the first place, we have the right to condemn, and in the second place, whether or not the amount to be paid for the land would not involve the value of the whole water power. That stopped us. We having organized these two companies of which the witness speaks—the Carolina, Tennessee Southern, and the Tennessee & Carolina Southern—for the purpose of connecting our two Tallulah Falls lines with this line in Tennessee, and those gentlemen who stopped us by this litigation that I told you of, sold out to this aluminum company which the witness speaks of—the Aluminum Co. of America—and they own that property now.

Senator CHILTON. The water power company?

Mr. THOM. The water power company; and they likewise object to our going through there on the river level, because it would destroy their water power. Mr. Wright, that statement is in accordance with your information?

Mr. WRIGHT. As to the Aluminum Co. of America; yes, sir.

Mr. THOM. As to all this.

Mr. WRIGHT. I am not acquainted with the history of the hydroelectric power before the Aluminum people bought. They have taken the position you state.

The CHAIRMAN. Is there a dam to be erected at Chilhowee?

Mr. THOM. There are going to be 12 dams. There will be a succession of dams, and one of them will be at Chilhowee.

Senator CHILTON. Their reason is, and they claim, they want to build a high dam in order to lake the water.

Mr. THOM. They want to build a high dam and raise the level of the water, which would make us go up on the mountain in order to go over the dam.

Mr. LYON. I understand there will be 12 of those dams?

Mr. THOM. Yes.

Mr. LYON. Is it apparent how high the water will be raised?

Mr. THOM. I suppose it is apparent. I can not tell you.

Mr. LYON. Being 12 dams would imply there would not be so much elevation.

Mr. THOM. There will be a tremendous elevation. We will have to be carried away up in the air, and it may make the whole project impossible.

Senator CHILTON. Is that the same concern that is buying up water power in the country?

Mr. THOM. I do not know.

Senator CHILTON. They do not make aluminum, but they make a product that goes into battleships.

Mr. GREEN. They do make aluminum in very large quantities, Senator.

Mr. THOM. I will say that when the war broke out that company had over in Holland a shipment of aluminum which they were willing to sell, I think, at about 37 cents. They found they could not sell it because of the war and they kept it for a few days, and they later sold it, and so much higher that they pretty nearly made a fortune out of the one shipment.

Senator CHILTON. There is a company called the Wilson Aluminum Co. in my State that has the Kanawha Falls property, and I do not understand they make aluminum, but develop another product.

Mr. THOM. So, Mr. Wright, in dealing with what has been denominated as the dead end of the Tallulah Falls Railroad, the Southern Railway has the right to have that charge considered in connection with the facts which you have stated, that they have made this effort, organized these two companies, made this very considerable and substantial expenditure in order to get through and into contact with roads running directly into the coal field.

Mr. WRIGHT. It certainly has.

Mr. THOM. Now, take up the question of the Cape Fear & Yadkin Valley. The Cape Fear & Yadkin Valley was a railroad running from Wilmington to Mount Airy, N. C.?

Mr. WRIGHT. It was.

Mr. THOM. They, in building that railroad, put on the road three divisional mortagages, did they not?

Mr. WRIGHT. They did.

Mr. THOM. Which they denominated as "A" bonds, "B" bonds, and "C" bonds. Do you know which was the A division, which was the B division, and which the C division?

Mr. WRIGHT. I have the information. I quote from recollection. The A was the line out to Red Springs and the Bennettsville Branch, the old North Carolina Pacific Railroad, and the line from Fayetteville into Wilmington, but that is testifying from recollection. The A territory, now the Atlantic Coast Line holdings, as I recall it——

Mr. THOM. Will you please tell me what the A division was, the B division, and the C division?

Mr. WRIGHT. The A bonds were a first lien on that part of the road lying between Greensboro and Fayetteville, and Fayetteville and the South Carolina line, and the junior lien upon the remainder of the road. Series B bonds were made a first lien upon that portion of

the road between Greensboro and Mount Airy, and a junior lien upon the remainder of the road. Series C bonds were made the first lien on that portion of the road between Fayetteville and Wilmington, and the junior lien upon the remainder of the road. The total amount of the three series was $3,054,000.

Mr. THOM. Where does the Atlantic Coast Line cross that road?

Mr. WRIGHT. At Fayetteville.

Mr. THOM. Where does the Southern cross the road?

Mr. WRIGHT. At Greensboro.

Mr. THOM. The people who organized that road, as I understand you to testify, had a plan of carrying the road through to the coal fields?

Mr. WRIGHT. They did.

Mr. THOM. They had every opportunity of doing that, did they not, that their financial resources would permit?

Mr. WRIGHT. They probably did.

Mr. THOM. There was no way of preventing them, except the financial difficulty?

Mr. WRIGHT. There was not, so far as I know.

Mr. THOM. Did they succeed?

Mr. WRIGHT. They did not.

Mr. THOM. Why?

Mr. WRIGHT. Because when it became apparent that the Norfolk & Western was going to extend its Cripple Creek branch to the State line, and the Cape Fear & Yadkin Valley Railroad was coming from Mount Airy over to the State line to connect with it, and they proposed to establish the Virginia City gateway rates to Mount Airy, N. C., which would have reduced the entire rate structure in the Carolinas, the bonds of which we speak were hurriedly bought up, and a committee headed by Mr. George F. Baker requested foreclosure on those bonds which were in default.

Mr. THOM. He could not have done anything unless the bonds had been in default?

Mr. WRIGHT. He could not.

Mr. THOM. Then, would it not have been a proper answer to my question to have said that the road could not pay the interest on its bonds and defaulted on them, and the project failed for that reason?

Mr. WRIGHT. As a local line it probably never could pay its bonds. As a connection of the Norfolk & Western the situation would have been exactly reversed. It was a heavy traffic handler, and it would have been the short line from the Pocahontas coal fields to Wilmington, which was an important salt-water port south of Cape Hatteras.

Mr. THOM. But they attempted to carry it through and make it that, you say, and they could not prevent the default on their bonds and the financial failure of their enterprise, could they?

Mr. WRIGHT. Judge, may I read to you from the record of the——

Mr. THOM. You just answer my question. No, sir; I want you to answer my question.

Mr. LYON. Answer in your own way.

Mr. WRIGHT. I do not know what the underlying cause of that foreclosure was. The record shows that George F. Baker, a voting trustee of the Southern Railway, asked the court to foreclose.

Mr. THOM. You are continually trying, of course, to get in the inference that the Southern Railway was in some way involved in that.

Mr. LYON. That is an inference drawn by counsel—not by the witness.

Mr. THOM. The fact is that the Southern Railway had no possible connection with that default on those bonds, had it?

Mr. WRIGHT. The Southern Railway as a corporation?

Mr. THOM. Or anybody in the Southern Railway, with the default of the bonds. If so, state what it was.

Mr. WRIGHT. The State of North Carolina has some very strong language in here on that.

Mr. THOM. I am asking the fact, Mr. Wright. Do you know any fact?

Mr. WRIGHT. This is my information.

Mr. LYON. He can draw his answer from information that comes to him from the State of North Carolina or elsewhere. State in you answer whatever information you have.

Mr. WRIGHT. My information is that the Southern Railway Co. voting trustee was the prime mover in the foreclosure.

Mr. THOM. I didn't ask you anything about the foreclosure. I am asking you about the default on the interest. Have you any information on that?

Mr. WRIGHT. I have not.

Mr. THOM. Why did you say you had?

Mr. WRIGHT. I simply misunderstood your question; that is all. You were speaking of the foreclosure.

Mr. THOM. I was not speaking of the foreclosure. The default is what makes the failure, isn't it?

Mr. WRIGHT. It would.

Mr. THOM. And is there any fact in your knowledge to indicate any connection between the Southern Railway Co. and the default on the Cape Fear & Yadkin Valley Railroad bonds?

Mr. WRIGHT. I have the information from the State authorities of North Carolina, which I shall be very glad to give you.

Mr. THOM. Is that in respect to the default on the bonds?

Mr. LYON. It is on that subject——

Mr. THOM. I am drawing a distinction between the default and the foreclosure.

Mr. WRIGHT. I understand you now; I did not before. I have not.

Mr. THOM. That is what I wanted to know. So that there can be no claim, so far as you know—no facts within your knowledge—that the Southern Railway was in any way responsible for the default on the bonds of the Cape Fear & Yadkin Valley Railroad?

Mr. WRIGHT. I have no knowledge of that.

Mr. THOM. Now, after those bonds had been defaulted your charge is that George F. Baker, a voting trustee of the Southern Railway, bought some of those bonds on the market and applied for a foreclosure?

Mr. WRIGHT. I did not charge that.

Mr. THOM. You do not? Didn't you say something of that sort?

Mr. WRIGHT. I charged that Mr. Baker was the head of the committee of the New York bondholders who signed the request for the foreclosure.

The CHAIRMAN. Was he a voting trustee of the Southern Railway Co. at that time?

Mr. WRIGHT. He was.

Mr. THOM. In other words, he bought up—or a committee of bondholders—a lot of those bonds, and then having those bonds, he made application for foreclosure?

Mr. WRIGHT. He did.

Mr. THOM. The fact being, though, after an effort to extend that road into the coal fields, when there was a clear opportunity for the people who owned it to do so, it failed and there was a default on its bonds, which brought about a right to ask for a foreclosure?

Mr. WRIGHT. The road was unable to carry itself in its unfinished condition.

The CHAIRMAN. What was the date of the foreclosure? Do you know, Colonel?

Mr. THOM. I do not know accurately. I have a general impression. I would rather the witness would take it up.

The CHAIRMAN. What was the date of the filing of the bill of foreclosure?

Mr. WRIGHT. George F. Baker and others, representing the New York committee of bondholders, intervened December 20, 1895, and asked for a sale of the property and a division.

Mr. THOM. Then, Mr. Baker did not ask for the foreclosure? He did not file the bill; he merely intervened?

Mr. WRIGHT. He asked for a sale of the property and a division.

Mr. THOM. Who brought the suit?

Mr. WRIGHT. I have that here, Judge.

Mr. LYON. If the chairman please, I think it may eliminate a lot of this examination if at this time we could have——

Mr. THOM. I don't blame the gentleman for wanting to eliminate the examination, but he is not going to do it.

Mr. LYON. Am I addressing the committee or Mr. Thom?

Mr. THOM. He is trying to eliminate my examination, but it shall not be done.

Mr. LYON. Just for the information of the committee I will say here that we have a report from the Corporation Commission of North Carolina, made either to its attorney general or to the Attorney General of the United States, which gives all this information. I would like to ask that it be made an exhibit in this case. It gives a great deal of information on matters concerning which Mr. Wright is now testifying, and it gives accurate information.

The CHAIRMAN. Let us go ahead.

Mr. THOM. I would like to see it and see whether there is any objection to it, your honor.

The CHAIRMAN. Very well.

Mr. THOM. I want to know now who brought that suit for foreclosure.

Mr. WRIGHT. Will you give me time to extract it?

Mr. THOM. Yes; certainly.

Mr. DOUGLAS. Did not the trustee under the mortgage file that suit?

Mr. THOM. I think he did, but I do not remember who that trustee was, and I thought we might get it out of that report.

Mr. WRIGHT. They have left that name blank; I will undertake to supply it this afternoon.

Mr. THOM. I think we can find it now.

(After a pause in the proceedings:)

Mr. THOM. The trustee under the mortgage brought the suit for foreclosure, did he not?

Mr. WRIGHT. He would have to.

Mr. THOM. Then it was an inadvertence when you said a moment ago that George F. Baker did it?

Mr. WRIGHT. It was.

Mr. THOM. All that Mr. George F. Baker did was to intervene in the suit already pending for foreclosure?

Mr. WRIGHT. He asked for the foreclosure and sale.

Mr. THOM. He wanted it sold and a division made, did he not?

Mr. WRIGHT. He did; he wanted it partitioned in the sale.

Mr. THOM. But before he had intervened at all there was a default in the payment of interest on the bonds and a suit already existing for a foreclosure and a receivership on the property. Was not that right?

Mr. WRIGHT. I do not know.

Mr. THOM. When you find out put it in the record.

Mr. WRIGHT. I certainly will.

Mr. DOUGLAS. I submit, Mr. Chairman, that the record speaks for itself.

The CHAIRMAN. This is not a record of the suit.

Mr. THOM. This is a record of an investigation made as to the division of property between the Atlantic Coast Line and the Southern.

Mr. LYON. Does it not show all the facts about which you have asked Mr. Wright?

Mr. THOM. I do not think so.

Mr. DOUGLAS. What volume of the Federal Reporter is that in, Mr. Chairman?

The CHAIRMAN. Volume 82 of the Federal Reporter.

Mr. THOM. Then, the fact is that this effort to get this road through from Wilmington to the coal fields broke down in the hands of the people that tried it, resulting in an absolute failure and a foreclosure sale?

Mr. WRIGHT. Judge, you have described a condition that existed many years ago. I was with the Norfolk & Western at the time, and I am not familiar with the Cape Fear & Yadkin Valley condition at all. I knew they were surveying to meet them and they were surveying to meet us. I can not answer your question from my own knowledge.

Mr. THOM. Well, see if you can not. You have stated that they defaulted on their bonds and that there was a foreclosure sale of the property. Isn't that a breaking down of the enterprise?

Mr. WRIGHT. Not necessarily; it was breaking down.

Mr. THOM. Not only breaking down but broken down, wasn't it?

Mr. WRIGHT. Just what the conditions were that caused that, I do not know.

Mr. THOM. Now, your complaint is that the Southern Railway did not go on and carry out the original transaction, instead of using the property for some other purpose, when the difficulties which

ıer people had who were concerned in carrying out the original :erprise destroyed it.

Mr. WRIGHT. I am laying before the committee all the information :an get bearing on this resolution which the committee is consider-g. I would rather you would not call it my "complaint."

Mr. THOM. Well, if you are at all sensitive about that I will call something else, so just consider it called something else and go on d answer the question.

(The pending question was read by the stenographer.)

Mr. LYON. Can you answer it?

Mr. WRIGHT. I can not.

Mr. THOM. Whatever facts you have laid before the committee der this general charge that the Southern Railway bought these operties to prevent the opening of the coal fields must be con-lered in the light of the fact that the people who tried to create at property to enter the coal fields disastrously failed; defaulted on eir bonds. The property was foreclosed and sold, and never could carried forward to a successful termination?

Mr. WRIGHT. As I read that record——

Mr. LYON. What record do you refer to?

Mr. WRIGHT. The State of North Carolina's investigation. As I ad that record the Norfolk & Western did not disastrously fail, ıt began the construction of its line to the agreed point; had agreed n a horizontal reduction of rates into North Carolina, and expected) throw a heavy traffic over it when the Southern Railway and the Coast Line people got scared and went out into the market and ought up the securities, secured a foreclosure, dismembered the ne, and it has been a financial failure ever since for both of them.

Mr. THOM. But it was a financial failure before the Southern ought any of them, and you have so testified, have you not?

Mr. WRIGHT. As a strictly local line. As a through line to the coal elds you can not build any such proposition on it.

Mr. THOM. That is all it was—a strictly local line.

Mr. WRIGHT. That is all it was, with the exception of the plan tie it to a powerful coal originator.

Mr. THOM. Yes; but the Norfolk & Western did not take hold it and carry it through, did it?

Mr. WRIGHT. The Norfolk & Western was invited to go into that me territory via the Southern Railway gateways as its payment r its failure to get that connection.

Mr. THOM. In other words, the Southern Railway did, through e Norfolk & Western, obtain the same entrance into that territory would have acquired through this road?

Mr. WRIGHT. The same entrance?

Mr. THOM. An entrance.

Mr. WRIGHT. An entrance?

Mr. THOM. Yes.

Mr. WRIGHT. But involving a longer haul and more service.

Mr. THOM. But it obtained it?

Mr. WRIGHT. It has, to the Norfolk & Western, and coal has gone rough there in large quantities.

Mr. THOM. And the suggestion—if you do not like the word :omplaint"—that the Southern Railway stopped this road must be

considered in the light of the fact that the Southern and the Norfolk & Western has established a joint route into this very territory from the coal fields?

Mr. WRIGHT. For the transaction.

Mr. THOM. Yes; and is it not conceivable to you, Mr. Wright, that, although this Cape Fear & Yadkin Valley Railroad may have failed as a coal proposition, it had value to these railroads as a feeder to their main lines?

Mr. WRIGHT. Well, it might have some value; but the Interstate Commerce Commission records show a continually increasing loss.

Mr. THOM. That is on the same theory, Mr. Wright, of confining the earning of the road to its mileage and not giving any credit for the traffic that it has supplied to the main line and the earning of the main line on that traffic; is it not?

Mr. WRIGHT. I do not know just how your books are kept.

Mr. THOM. Don't you suppose that is so, from your knowledge of such things?

Mr. WRIGHT. Well, I would ordinarily agree with you, but it was developed in a coal case a year or two ago that the opposite treatment was being given an originating branch line.

Mr. THOM. One of these branch lines?

Mr. WRIGHT. Oh, no. Therefore I do not assume——

Mr. THOM. What coal case?

Mr. WRIGHT. What was the number of that Big Four-L. & N. case? Was it I. C. S. 871?

Mr. LYON. I think it was.

Mr. WRIGHT. We found this situation: That the Louisville & Nashville was not crediting the branch line with a sufficient proportion, so that it did show a very bad result. It was entitled to its mileage pro rata through rates, plus something for originating the business, just as you state. Since I heard of this case I do not know what the uniform practice is with all carriers.

Mr. THOM. That case is in accordance with what you say was probably done in this case, is it not?

Mr. WRIGHT. No; that was less.

Mr. THOM. I am not confining this to a mileage prorate plus something for originating the business. I am trying to find out the value of any railroad to a system as a feeder. Suppose, for example, there is traffic originating at Sanford, destined to New York. If it moves over the Southern Railway, then the Southern Railway gets not only the earnings from Sanford up to Greensboro, where the Cape Fear & Yadkin Valley Railway joined onto the Southern, but it also gets the earnings of that traffic all the way to Alexandria, does it not?

Mr. WRIGHT. It would if there were an all-rail line to New York.

Mr. THOM. That is what I mean.

Mr. WRIGHT. Certainly.

Mr. THOM. It is the same way from Mount Airy. All the traffic that comes over that Mount Airy branch to the Southern and goes either north or south or east or west over the Southern Railway's main lines not only adds to the Southern Railway's treasury all of its mileage proportion, or its mileage pro rata up to the point of

unction, but also adds whatever value that traffic has for the whole distance carried over the Southern Railway system, does it not?

Mr. WRIGHT. It does.

Senator CHILTON. Then is not the question simply a matter of bookkeeping?

Mr. THOM. Yes, sir. So it is not fair to take the mere statement of earnings of one of these branch lines, confining them to what is done up to the junction point, and determining from that the value of the branch line to the system, is it?

Mr. LYON. Does Mr. Thom mean to say that is the way the Southern Railway treats its branch lines?

Mr. THOM. Let him answer that question, please.

Mr. LYON. I say, is that the way they do it?

Mr. THOM. Now, I have the right of way. I will answer you afterwards.

Mr. WRIGHT. I do not want to ask you, Judge, to pitch so many balls here, but I would like to get that again.

(The stenographer read the pending question.)

Mr. WRIGHT. The branch line should be credited on the Southern Railway's books with constructive earnings representing the value of the traffic to the main line.

Mr. THOM. So that a branch line, if its earnings are determined by simply a pro rata of the actual mileage—in other words, either by a constructive mileage or the actual mileage—up to the junction point, and taking all the earnings on either of those methods up to the junction point, confining them to the earnings up to the junction point, would that be a proper indication of the value of that branch line to the system?

Mr. WRIGHT. Unless you did give it a constructive credit for originating the business, a line operated by the Southern in which it held a majority of the stock interest would show very little return to the other stockholders, presuming they were not carriers and could get no traffic.

Mr. THOM. We are considering a case where they own all the stock.

Mr. WRIGHT. Presupposing that you keep your books in that way.

Mr. THOM. I am supposing a case in which we own a branch line and in which the question of the wisdom of its purchase has been brought in question. We want to find out now what its value to the system is. My question is if you confine the earnings to those up to the junction point you are thereby losing sight of a very large element of value to the system which is all the earnings on the contributed traffic which that system makes on its main lines. Is not that true?

Mr. WRIGHT. That theory of the proportion of the revenue is true.

Senator CHILTON. Whether his books are kept that way or not. Is it not a fact, whether you keep any record of it?

Mr. WRIGHT. It is a feeder to the main line.

Senator JOHNSON. What was the system pursued in the statements that have been submitted here as to the operating and receipts of these branch roads.

Mr. DOUGLAS. There has been none submitted.

Senator JOHNSON. I thought we had some.

Mr. WRIGHT. The Interstate Commerce Commission furnishe those reports.

Senator JOHNSON. Do you know whether it was confined simpl the earnings upon that road irrespective of its being a feeder fo main line?

Mr. WRIGHT. Those figures were the reports of the Southern I way Co. to the commission as the net earnings of those sp properties.

Senator THOMPSON. Perhaps Judge Thom will tell us.

Mr. THOM. I can; yes, sir. It is the allowance to that line, v out any reference to what they earn on the main line, without contribution to the main line of the system.

Senator CHILTON. As I understand it, the question is as to whe a railroad did a wise thing in buying a feeding road where it c the stock in both. And the question then is—whether you keep books that way or not—has not that a value beyond the ac traffic?

Mr. THOM. That is right.

Senator JOHNSON. We already have sworn testimony submitte to the operating expenses and receipts of these branch lines, whether that is simply a statement as the receipts originating u that line alone as far as the operation of that line independentl the main line is concerned——

Mr. THOM. It is not the whole earnings on that system ev where; it is simply the earnings apportioned on that branch As to the exact method of that apportioning I am not speak because I am not sufficiently advised. There are two methods. instance, take a shipment originating at Atlanta, Ga., and goin Mount Airy. Now, there would be two methods of determi how much ought to be credited to that branch line. One would b take the actual mileage all the way to Atlanta and the actual mil from Mount Airy to Greensboro, and to divide the earnings on t shipment in proportion to the mileage. Another would be, e cially where the shipment originated on a branch line as at M Airy, to give it not only the actual mileage to Greensboro but to 10 or 15 miles to it. We have there a constructive mileage. in either event you lose sight of the main line.

Senator JOHNSON. In making your report to the Interstate C merce Commission what plan is pursued by the Southern Rail

Mr. THOM. I will find that out and tell you.

Mr. LYON. Since Mr. Thom has made that statement, I think but fair to ask him or some one why then this additional mil over the actual mileage, if it is not for the very purpose about w you are examining Mr. Wright? If you give them more than actual mileage and divide it on what they call the block system, not for the very purpose to which this is addressed?

Mr. THOM. The purpose is to pay the originating line for the of assembling the traffic. And then there may be a division g to it in a spirit of trying to sustain it. But that is not based u a recognition of the earnings of the system after it gets one o system's lines.

Senator CHILTON. You would not get to carry the freight were not for the fact that they brought it to you?

Mr. THOM. Exactly. I will bring a statement in the morning of the basis on which we figure those earnings.

Senator JOHNSON. It seems to me very material for us to have it.

The CHAIRMAN. Do you know the plan pursued by Mr. Harrison in making up the statements he submitted when he was here giving the earnings of the various roads?

Mr. THOM. I assume they were prepared in the same way we make the reports to the Interstate Commerce Commission. I will find out what that is.

Mr. LYON. If that statement of Mr. Thom's is material to the committee, some witness should be put on the stand to go into it.

Senator JOHNSON. I am not inquiring why they do it, but what has been done.

Mr. LYON. I understand your proposition. As to the purpose of "blocking," that is a matter than can not be answered yes or no.

Mr. THOM. It is now 5 o'clock. Could your honors meet at 10.30 o'clock in the morning instead of 10? I think Senator Johnson understood that this morning, anyway.

Senator JOHNSON. I did.

The CHAIRMAN. We will meet at 10.30 in the morning.

(Thereupon, at 5.10 o'clock p. m., the committee adjourned to meet to-morrow, Tuesday, December 15, 1914, at 10.30 o'clock a. m.)

TUESDAY, DECEMBER 15, 1914.

SUBCOMMITTEE ON NAVAL AFFAIRS,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 10.30 o'clock a. m., pusuant to adjournment.

Present: Senators Nathan P. Bryan (chairman), Charles F. Johnson, and Miles Poindexter.

Mr. THOM. Your honor, in connection with the distance from Norfolk to West Point by water, which was under discussion yesterday, I think that the distance is from 60 to 75 miles, but we will get it more accurately and put it in the record. That is approximately the distance, however.

Shall we proceed?

The CHAIRMAN. Yes, sir.

Mr. THOM. Before taking up the examination at the point where it was left last night, I wish to refer to this Norfolk situation again. Mr. Wright, you are acquainted with the fact that West Point was found to be an impracticable deep-water terminus for the Richmond & Danville system, and that the Southern abandoned that as its principal northern deep-water terminus, and immediately upon the organization of that company, or within a very short time, transferred its northern deep-water terminus from West Point to Norfolk, are you not?

Mr. WRIGHT. They transferred part of their business to Norfolk.

Mr. THOM. You say they transferred a part of their business. Don't you know that they transferred it to Norfolk, its principal northern deep-water terminus?

Mr. WRIGHT. There are many lines of large ocean-going vessels that could not come to West Point as a practicable navigating propo-

sition. To make those connections the Southern Railway undoubtedly has to do business with them at Norfolk. They left the West Point situation, so far as Baltimore business is concerned, alone for awhile, and then they improved it by putting on new vessels in late years.

Mr. THOM. Is it not a fact that not only did they transfer the export business to Norfolk, but that they actually transferred the boat line which had been plying between West Point and Baltimore, in its main features, to Norfolk, resulting in a big fight with the Baltimore Steam Packet Co. people, who claimed that that was establishing a competitive line with them?

Mr. WRIGHT. I do not know that. I remember the fight, beginning with the establishment of your Chesapeake line between Norfolk and Baltimore, which brought on a fight with the Seaboard Air Line. As to its connection with the abandonment of West Point, I can not say.

Mr. THOM. Do you not know that the service between Baltimore and West Point was reduced to three times a week, from a daily service, after the transfer of the terminus to Norfolk?

Mr. WRIGHT. For a short period it was, and you resumed daily service, which you have now better than it ever was before.

Mr. THOM. In other words, in the last year an effort has been made to reestablish and make valuable the lines of railroads running through Richmond by putting on two new and modern boats on the Chesapeake Line from West Point to Baltimore, but that is within the last year, is it not?

Mr. WRIGHT. Those new boats have been put on within the last year, but you had the *Baltimore* and the *Danville* for many years before that in a daily service, and it was good service.

Mr. THOM. Nothing like, however, the service, either in the movement of traffic or in the accommodations, offered from Norfolk to Baltimore?

Mr. WRIGHT. Well, there were frequent sailings. The boats were older and the meals were better.

Mr. THOM. Well, Mr. Wright, do you mean to deny or do you mean to cast any doubt upon the proposition that the Southern Railway, for the great bulk of its business, for its export business and for its through business from all points south of Danville, transferred its terminals to Norfolk from West Point?

Mr. WRIGHT. It transferred a good deal of its business from West Point to Norfolk. I can not answer, Judge, all that you ask.

Mr. THOM. You are not advised of that then—whether or not that is so?

Mr. WRIGHT. No.

Mr. THOM. Now, it is a fact that the terminus of the Southern Railway Co. was transferred from West Point to Norfolk, and are you not acquainted with the fact of the very large terminal facilities that the Southern Railway has constructed at Norfolk for the accommodation of its business?

Mr. WRIGHT. Do you mean Pinners Point?

Mr. THOM. Yes.

Mr. WRIGHT. They have good terminals there.

Mr. THOM. The warehouses are the largest in the world, are they not?

WRIGHT. I really do not know that. They are good ware-
s, and it is a good terminal. It is also used by the Atlantic
Line, is it not?
THOM. No; the Atlantic Coast Line has its separate; along in
me general vicinity, but separate.
WRIGHT. They are all over at Pinners Point?
THOM. At Pinners Point, but the Atlantic Coast Line owns
minals, and the Southern owns its terminals there.
v, Mr. Wright, you are acquainted with the lines of the South-
ailway System, are you not?
WRIGHT. To some extent; yes, sir.
THOM. Have you before you a map of the Southern Railway?
ıps were placed before the members of the committee and the
ss.)
THOM. Now, when the Southern Railway System was organ-
ıere was, generally speaking, a line from Washington to Rich-
on the north, running southwesterly through Greensboro,
ury, Charlotte, and Atlanta, with various branches in the
through which it ran; and also a line running from Memphis
ıe West through Chattanooga, Knoxville, and Nashville down
isbury, was there not?
WRIGHT. There was.
THOM. Reverting to the first of these lines, the one from
ington and Richmond on the north through Danville, Greens-
ınd Charlotte, and Atlanta, there was running from Charlotte
em of railroads in the State of North Carolina, was there not?
WRIGHT. There was.
THOM. And from Atlanta a line of railroads running south-
ward Brunswick?
WRIGHT. There was.
THOM. And railroads west of Atlanta?
WRIGHT. The Georgia Pacific to the Mississippi River.
THOM. So that the traffic from all that southeastern and south-
ction of the country was brought up on the main lines of the
ern to Salisbury, N. C., was it not—I mean the traffic bound
ray?
WRIGHT. From the country described?
THOM. Yes.
WRIGHT. That is, including the Memphis line? Did you men-
ıe Memphis line?
THOM. No; I did not.
WRIGHT. All right; excuse me. I will say yes; as far as I

THOM. And from Memphis east through Chattanooga, Knox-
and Asheville there was another stream of traffic over the
ern one of the two lines you have just mentioned, also concen-
at Salisbury?
WRIGHT. Judge, your company made a desperate effort at that
o concentrate the Memphis, Chattanooga, and Knoxville traffic
isbury and keep it on the system, but was unable to do that.
ould not make it, as I understood it; the haul was roundabout
ıat business, to some extent, was turned over to the Norfolk &
rn at Bristol and sent over the short line mileage of the Nor-

folk & Western right to Lynchburg and turned back to you the or to Norfolk and turned over to the boat lines.

Mr. THOM. Now, so much of the business as was retained by Southern—that was, of course, a very large proportion—was c centrated at Salisbury, N. C.; and whatever traffic came from northern lines that I have referred to, from Memphis through Ch tanooga, Knoxville, Asheville, etc., was bound to reach the main s of the Southern Railway at Salisbury, was it not?

Mr. WRIGHT. It was.

Mr. THOM. When these two streams of traffic—one from the St of South Carolina, Georgia, a very large part of Alabama, and fr a part of Tennessee, and the other from Tennessee, a part of A bama, and western North Carolina—reached Salisbury, what they find in the way of accommodations northward—a single o double track?

Mr. WRIGHT. At that time?

Mr. THOM. Yes.

Mr. WRIGHT. Probably a single track.

Mr. THOM. Then there was concentrated on a single-track railr to Salisbury the traffic gathered up by the Southern Railway fr all the territory which it covered in the South and West, leaving the St. Louis-Louisville lines. That is so, is it not?

Mr. WRIGHT. That is so as far as I know.

Mr. THOM. Then there was not relief to that line until we ge Greensboro, was there?

Mr. WRIGHT. There could not be.

Mr. THOM. How far is Greensboro north of Salisbury?

Mr. WRIGHT. Fifty miles.

Mr. THOM. So that as the result the railroad has been dc tracked now between Salisbury and Greensboro?

Mr. WRIGHT. It has.

Mr. THOM. At Greensboro there was relief, was there not?

Mr. WRIGHT. Yes; you had leased the North Carolina State R road which gave you a good line to Norfolk—a very good grade

Mr. THOM. Then the traffic could divide at Greensboro and of it go over a line of the Southern Railway through Raleigh Salem to the trackage of the Atlantic Coast Line to Norfolk?

Mr. WRIGHT. It could.

Mr. THOM. There could be no further relief to the main line Greensboro north to Washington until you got to Danville, there?

Mr. WRIGHT. There could not.

Mr. THOM. And there the only way of relief for Norfolk t was the Atlantic & Danville to Norfolk, was it not?

Mr. WRIGHT. Yes.

Mr. THOM. That was the only way, was it not?

Mr. WRIGHT. To Norfolk?

Mr. THOM. Yes.

Mr. WRIGHT. Unless you took it to Lynchburg and gave it t Norfolk & Western.

Mr. THOM. I said at Danville.

Mr. WRIGHT. At Danville; yes, sir.

Mr. THOM. If it wanted to handle its own business on its own lines the only relief for it at Danville was over the Atlantic & Danville to Norfolk?

Mr. WRIGHT. If it wanted to keep it on its own system.

Mr. THOM. Of course, railroads naturally want to keep the traffic on their own system, do they not?

Mr. WRIGHT. Yes.

Mr. THOM. If they hauled it to Lynchburg and gave it to the Norfolk & Western, then they would give the Norfolk & Western a part of their revenue to Norfolk, wouldn't they?

Mr. WRIGHT. They would.

Mr. THOM. Do you or do you not know that from Orange north to Washington the Chesapeake & Ohio burdened the lines of the Southern by the possession of trackage rights for its traffic to Washington?

Mr. WRIGHT. They have a trackage right, and had then, from Orange to Alexandria over the Southern Railway.

Mr. THOM. In other words, the Chesapeake & Ohio Railroad crosses the Southern road at Charlottesville. It then runs down to Gordonsville, and goes over its own track up to Orange. Do your honors see where that is?

The CHAIRMAN. Yes.

Mr. THOM. And from Orange to Washington it enjoyed then, and enjoys now, trackage rights for the handling of its own traffic and its own trains over the lines of the Southern Railway. Is not that so?

Mr. WRIGHT. That is a fact.

Mr. THOM. Now, these concentrated streams of traffic have required the Southern Railway to find relief in some way, either by double-tracking or by having outlets from its lines at various points and a division of the traffic which otherwise would flow naturally over its single-track main line. Is not that so?

Mr. WRIGHT. The condition described undoubtedly required double-tracking, particularly between Orange and Alexandria; probably between Salisbury and Alexandria. As to enforcing the requirement of relief lines I can not say.

Mr. THOM. At any rate, the management of the Southern Railway was confronted with the problem of having brought into its main stem at Salisbury the traffic coming north through Atlanta, Charlotte, and Columbia, and coming east through its Tennessee lines; and all of that being single tracked, and inasmuch as it had a single track on its main line, it was confronted with the problem of how to handle that concentrated traffic on its main lines, was it not?

Mr. WRIGHT. That was probably the situation.

Mr. THOM. Now, the double-tracking of that railroad is a very expensive business, is it not?

Mr. WRIGHT. The main line?

Mr. THOM. Yes.

Mr. WRIGHT. It appeared to be, from your reports.

Mr. THOM. If, instead of undertaking at a specific period this great work of double-tracking, it sought to solve this problem by obtaining outlets from its main lines and thereby a division of its traffic, it would be a natural thing for that question to be determined on its merits as the management saw the merits, would it not?

Mr. WRIGHT. It would.

Mr. THOM. As the traffic of the South grows—and I believe it was until this war the most rapidly growing part of this country, except the extreme Northwest, the two States of Oregon and Washington—as the traffic of the South grows a wise foresight would naturally require the provision of facilities to handle this growing traffic at a point where it was especially concentrated on the line of the road, would it not?

Mr. WRIGHT. It would.

Mr. THOM. And while a particular acquisition of a railroad as a matter of provision for the future requirements might not at any particular moment be justified by financial reports, it might well become justified by the growth of the traffic and the need for additional transportation facilities, might it not?

Mr. WRIGHT. It might.

Mr. THOM. Now, reverting to the Tallulah Falls Railroad for one moment, do you not know that the Southern Railway acquired its interest in that road, acquired the assets of the old Richmond & Danville, or the Richmond & West Point Terminal Co.'s foreclosure and reorganization?

Mr. WRIGHT. May I quote Mr. Harrison's testimony?

Mr. THOM. Why, certainly; anything from which you know it.

Mr. WRIGHT:

TALLULAH FALLS RAILWAY, *July, 1905.*

Cornelia, Ga., to Tallulah Falls, Ga., 21 miles. Extension to Franklin, N. C., 36 miles, etc. Bonded debt, $1,319,000. The common stock, except 1,070 shares, was acquired by the Southern Railway Co. in July, 1905, from Mr. George L. Prentiss, New York City.

Judge, that is 11 years after the Southern was organized.

Mr. THOM. I will merely ask whether that was the inception of the interest of the Southern Railway in the Tallulah Falls Railway?

Mr. WRIGHT. That is all I have on that subject.

Mr. THOM. You do not know anything on that?

Mr. WRIGHT. Just what Mr. Harrison testified.

Mr. THOM. We will have the facts about that.

Mr. WRIGHT. Judge, may I ask you, in an effort to clear up the Norfolk and West Point-Atlantic & Danville situation that we were discussing to-day and yesterday, a few questions?

Mr. THOM. Yes.

Mr. WRIGHT. The coal tariffs published by the Southern Railway from the mines in Tennessee, Kentucky, Virginia, and Alabama carried no rates on coal from its own mines to any point on the Atlantic & Danville Railroad. The Virginian and the Norfolk & Western and Chesapeake & Ohio did carry rates through Danville and Suffolk and, I think, through Denniston Junction to all your stations on that line; and they are supplying coal, although at a rate of $2.30, uniformly along the line—possibly it is $2.50 on one or two points—while in the territory paralleling it, touching it in places, and never more than 10 miles away——

Mr. THOM. What territory?

Mr. WRIGHT. On the Virginian. In that territory the rate is always $1.50.

Now, with reference to the Norfolk and West Point change and the utilization of this line as a feeder, speaking now of the business

ginating on this line, if it feeds anything it is necessarily your ıt line at Norfolk which runs to Baltimore. The rest of its ight moving that way—and that is the natural outlet to the East, ause the rail-and-water rates are much cheaper than the all-rail es—goes to the Merchants & Miners or the Old Dominion Steam-p Co.—in which I grant your company has a sixth interest—or ;he Clyde Line. That is where that comes in.

Now, you made the good point yesterday that the business going ·th by rail would be diverted and was as a practical policy of the ıthern road diverted to your main line at Danville, Va., and ·ught up to Alexandria instead of being turned over to the Coast ıe at Emporia or the Seaboard Line at La Crosse.

Now, let me show you how that works out. At Emporia that car .80 miles from this city on the Coast Line through Richmond. In ı effort to keep it on your system you take it to Danville, a distance 131 miles, to feed it to the main line, which needs the business; l when it is at Danville it is 60 miles farther away from Wash-;ton than it was when it started. It travels 371 miles to get to ıshington, as against 180 miles if you do not take the business.

:n the transfer of the traffic from the Coast Line to you the expense the terminal over here at the Potomac yards of that car is trans-red to you, cutting into a rate that was originally thin. And I ›mit to you while it is a natural thing to keep that on the system, ıt in this specific instance of the Atlantic & Danville Railroad you › operating twice the service to accomplish that result, and there-·e there can not be any thick compensation in it. It seems to be lected in the earnings which have been furnished to us by the :erstate Commerce Commission. Now, as a relief line for the sys-ı, in 1913—and I think the report you have for 1914 shows the ne thing——

Mr. THOM. Do you want it?

Mr. WRIGHT. If you please. I will be through in just half a nute.

On page 66, Table 26, "Atlantic & Danville Railroad"——

Mr. LYON. What are you reading from?

Mr. WRIGHT. The Southern Railway's annual report to stock-ders for the year ending June 30, 1914:

teel rail, 56 pounds, 228 miles; 60 to 62 pounds, 5.42 miles; 65 to 68 pounds, ; miles; 75 pounds, 23.14 miles; 80 pounds, 7.54 miles.

So that that road, so far as its weight of rail is concerned, and the lity to handle heavily loaded cars and the type of engine that you › in your mountain district, is just now where it was at the time you re receiver, when you had your 57 derailments out of 60 trips of ır passenger train. I say, in its ability to support weights, the rfolk & Western has cars that hold 100 tons of coal—the largest ·s in that country. You could not run one of them over that line :h the load in it. Your "Mikado" type of engine could not run ;r this railroad. And I submit that as a relief line for heavy traffic :an not be to-day of much help to the Southern Railway.

Mr. THOM. Are you trying to make the impression on the com-ttee that the road was in the same condition when the Southern ilway Co. got it as when I described those 57 derailments in 60 ys?

Mr. WRIGHT. I have just described from your report for this year the weight of the rail on it. It was what was put on there when it was built, except for small sections of heavy rail. Undoubtedly you have lined it up and ballasted it, and the ties have been renewed.

Mr. THOM. Are you trying to do that?

Mr. WRIGHT. I am not.

Mr. THOM. Don't you know that the time I was speaking of was in the first few months of the winter of 1891; that the road was in my hands as receiver until 1894; and that a vast amount of work was done in building up the road, taking all its earnings, and that a very large amount of receiver's certificates were used in reconstructing that road?

Mr. WRIGHT. Judge, I do not know to what extent you issued receiver's certificates, but I heard nothing but good words about your work. It is to-day a very hard proposition.

Mr. THOM. And I delivered it over to the new company in a vastly improved condition, did I not?

Mr. WRIGHT. You probably improved it a great deal while you had control of it.

Mr. THOM. Thereafter the Atlantic & Danville Co. itself had charge of it for five years, from 1894 to 1899, before the Southern Railway Co. got it. Is not that so?

Mr. WRIGHT. Yes.

Mr. THOM. Now, I understand your testimony to be that the management of the Southern Railway Co. is very foolish in not delivering the business of the Atlantic & Danville Railroad down to Norfolk to the Atlantic Coast Line at Emporia, and letting the Atlantic Coast Line handle it, instead of bringing it to its own main line and handling it itself.

Mr. WRIGHT. I did not say anything in my statement to support your understanding.

Mr. THOM. You did not criticize that, then?

Mr. WRIGHT. No; I am stating the condition as I see it.

Mr. THOM. The Southern Railway Co.'s operating and traffic officers are ordinarily competent, are they not?

Mr. WRIGHT. Extraordinarily so.

Mr. THOM. And they believe that the best way of handling that traffic as a paying matter to the Southern Railway is to bring that traffic to the main line and handle it itself. That is so?

Mr. WRIGHT. The main line can take care of it. You have the reverse of the proposition; you have the relief line adding to your congestion at Danville.

Mr. THOM. You said the traffic over that was probably not as great as the traffic that moved over it for export from the main line south. That would be a movement in the reverse direction, would it not? The stream of traffic south over that line, bound for an outlet at Norfolk, would be moving east and the traffic you are bringing back would be moving west, would it not?

Mr. WRIGHT. Well, you ship over that line peanuts and some lumber and a few commodities of that kind, northbound commodities, as I understood you to suggest yesterday, and you bring them to Norfolk.

Mr. THOM. And then you have whatever southbound traffic it has, too?

Mr. WRIGHT. Certainly.

Mr. THOM. And whatever comes to the Southern at Norfolk for the South by these various steamship lines can move that way?

Mr. WRIGHT. Can move that way.

Mr. LYON. Does it move that way?

Mr. THOM. Some of it; some of it moves the other way.

Mr. WRIGHT. I do not know what the division of that traffic is to-day.

Mr. THOM. And it is a very great advantage to a railroad company to have traffic in both directions, is it not?

Mr. WRIGHT. A balanced traffic is the ideal.

Mr. THOM. By "balanced" traffic you mean traffic in both directions?

Mr. WRIGHT. Both directions.

Mr. THOM. Coming back now to where we were last night in our examination, have you found out the name of the plaintiff that filed the suit for the foreclosure of the Cape Fear & Yadkin Valley Railroad, the predecessor of the Atlantic & Yadkin?

Mr. WRIGHT. I have not, but if it was like every other case of a mortgage, the trustee named in that mortgage would necessarily have to be the moving spirit.

Mr. THOM. By consent of counsel I will put in the plaintiff in that suit. It was the Farmers' Loan & Trust Co., of New York, trustee under first gold mortgage. The date of the filing of the bill was March 28, 1894. The mortgage was dated in June, 1886. In that suit there was subsequently a cross bill filed by the trustee in a mortgage known as the consolidated mortgage, dated 1889.

The CHAIRMAN. When was the first mortgage due—the one of 1886?

Mr. THOM. Probably 30 or 40 years afterwards. I do not know the period.

The CHAIRMAN. The ground for foreclosure was default in interest?

Mr. THOM. Default in interest; yes.

Mr. LYON. Does it appear there when their first default in interest occurred?

Mr. THOM. It does not appear on my memorandum, Mr. Lyon. Of course, we can obtain that information.

Mr. DOUGLAS. That decision is given in the Eighty-second Federal Reporter?

The CHAIRMAN. That is the case reported in the Eighty-second Federal Reporter.

Mr. THOM. Now, Mr. Wright, there are very large stone quarries located at Mount Airy, in North Carolina, at the southern terminus of this Atlantic & Yadkin Valley road, are there not?

Mr. WRIGHT. There are.

Mr. THOM. And that stone or granite is very largely used in the building operations of this country?

Mr. WRIGHT. It is a favorite stone, a good stone.

Mr. THOM. And that comes out by the Atlantic & Yadkin Valley road to Greensboro, and the portion that is intended for northern markets is handled north over the Southern Railway lines and the portion of it handled south and intended for use in the southern country is handled south over those lines?

Mr. WRIGHT. Yes, sir.

Mr. THOM. So that the main line enjoys the haul of that traffic? And I use that as illustrative of the branch line.

Mr. WRIGHT. Judge, you know they have a traffic agreement through Walnut Cove, and they handle a great deal of that granite out that way, the bulk of the movement going that way.

Mr. THOM. I do not know about that.

Mr. WRIGHT. I think you will find that is the case.

Mr. THOM. In other words, all railroad companies have to have reciprocal arrangements with other railroad companies to try to induce those railroad companies to throw them some of their traffic, do they not?

Mr. WRIGHT. Well, that part of the arrangement you made about the time the Cape Fear road was dismembered was part of the compensation to the Norfolk & Western line, as I recall—that they should have access to that territory. It makes an interchange at Walnut Cove.

Mr. THOM. Give evidence of that. What evidence have you for that statement?

Mr. WRIGHT. It was the general understanding at the time.

Mr. THOM. You have no knowledge of it?

Mr. WRIGHT. I can not quote you verbatim a traffic agreement made in that year.

Mr. THOM. Do you know of a traffic agreement made in that year that stated that that was part of the consideration for the Norfolk & Western in going into that territory?

Mr. WRIGHT. A traffic agreement would not state that. There was an effort made to reconcile all those agreements at that time.

Mr. LYON. State what evidence you have.

Mr. WRIGHT. Simply my recollection that the Norfolk & Western was permitted to enter that territory through the Walnut Cove gateway at that time, giving it opportunity to supply the southern market with its coal and to take southern products out of that territory over its line.

The CHAIRMAN. But the Norfolk & Western does not go down to Mount Airy?

Mr. WRIGHT. It goes to Walnut Cove.

Mr. LYON. It goes down to Winston-Salem.

Mr. THOM. Were you connected with the management of the Norfolk & Western Railway at that time?

Mr. WRIGHT. No, sir. I had a very small position.

Mr. THOM. How small?

Mr. WRIGHT. I was a clerk in their Bristol office.

Mr. THOM. What year was that?

Mr. WRIGHT. I went with them in 1888 and went to Bristol about 1890 and stayed there until 1897. All of us on the Norfolk & Western Railway knew that the Norfolk & Western had been afforded an entrance into the territory on another road.

The CHAIRMAN. In what capacity were you working for the Norfolk & Western when you left?

Mr. WRIGHT. I was first assistant freight agent in the office at Bristol and then the union ticket agent at Bristol.

[r THOM. That position did not afford you any insight into what Norfolk & Western was doing in the way of its contracts with ɜr carriers, did it?

[r. WRIGHT. No; it was only the general information that was at all over the road about that improvement in conditions.

[r. THOM. Did you know that the Norfolk & Western made some ıngement about getting transfer business at Walnut Cove?

[r. WRIGHT. Yes, sir.

[r. THOM. And the balance you are stating is your inference?

[r. WRIGHT. That was everybody's inference at that time.

[r. THOM. I object to that inference. Have you any proof of it?

[r. WRIGHT. I have no proof; no.

[r. THOM. Do you know of many of the main lines of railroad in country that could live on the traffic originating on the main without feeders?

[r. WRIGHT. Yes.

[r. THOM. Which are they?

[r. WRIGHT. The Erie for one and the Norfolk & Western for ther.

[r. THOM. Do you think the Erie is living?

[r. WRIGHT. Since they run that printing press away back there Erie has had trouble, and they have capitalized until they ran out aughts; that is the matter with the Erie to-day.

[r. LYON. There is nothing the matter with it as a railroad trans-ation agency?

[r. WRIGHT. No. It is in wonderful condition in that respect. Norfolk & Western is a closer example. Their main-line traffic oal alone will keep them alive for the next 50 years; they have freight piled up alongside of the main line to run that railroad 50 years.

[r. THOM. How much coal traffic do they originate on their n line?

[r. WRIGHT. The Norfolk & Western?

[r. THOM. Yes.

[r. RIXEY. Without the use of branches or feeders?

r. WRIGHT. It depends on the length of the spur. Every opera-along the main line has a spur.

r. THOM. Is it not a rule that the railroads of this country would ive without feeders, depending merely upon the traffic originat-n their main lines?

WRIGHT. Feeders are immensely helpful.

THOM. Feeders are immensely helpful?

WRIGHT. Oh, yes.

THOM. And it is the part of wise railroad policy to build up of feeders to the main line?

RIGHT. Now, you ask me to subscribe to the word "wise"?

HOM. I will not ask you to do that because our ideas of are a little off. I will ask you if it is not a recognized policy, ed desirable by the competent railroad managers of this generally, to build up a system of feeders to their main line, idea of thereby increasing their traffic?

YON. Is that kind of a question susceptible of answer, if mittee please?

Mr. THOM. I suppose the witness might determine that.

Mr. LYON. I think I have a right to address the committee.

The CHAIRMAN. I think the committee knows most of the railroad companies have feeders, and that it is a recognized policy.

Mr. WRIGHT. I am willing to answer the question if the committee will stand for this sort of thing.

Mr. THOM. What sort of thing?

Mr. WRIGHT. A question of that kind.

The CHAIRMAN. Answer his question.

Mr. THOM. I would like to call the attention of the committee to the manifest animus of this witness, and ask that his statements throughout be considered in respect to the animus he has shown from the beginning, and his whole attitude in this case.

Now, then, is it not in the interest of the communities where these feeders extend that those feeders should exist and thereby a connection should be given to those communities with an efficient system of transportation?

Mr. WRIGHT. The physical connection of a feeder with the main line means much to the communities on that feeder. They can get through. In the case of the Atlantic & Danville the lease and control of that feeder by the Southern Railway creates a condition to-day where their coal rates are 80 cents a ton higher than they are on the Virginian Railroad along the whole distance, and they can not buy coal at a mine on the Southern Railway. The physical connection might be there anyway without that control.

Mr. THOM. You are referring now to coal traffic, and you know that Mr. Dulaney, your associate, has testified that it is an utterly impracticable route from the coal fields through Asheville and Greensboro and Danville, and the Atlantic & Danville Railroad to Norfolk, do you not?

Mr. WRIGHT. Heavy tidewater movement. I was just thinking of the communities that you referred to along the line as being the natural beneficiaries.

Mr. THOM. Is it not the natural way for that coal to move from the mines over the Virginian and over the Norfolk & Western to contiguous points on the Atlantic & Danville?

Mr. WRIGHT. It is the natural thing for that coal to move over there. It is an unnatural thing for yours not to move. You make coal rates from your own mines in Tennessee and Kentucky on a parallel line south of that to all points in North Caroline just across the border, your tariff carries them all right, but it does not to that particular line.

Mr. THOM. Do you not know that we did have the rates there but that no coal moved?

Mr. WRIGHT. I do not know when you withdrew the rates.

Mr. THOM. We did have them?

Mr. WRIGHT. You might have had them; I do not deny that. I do know they are not there to-day.

Mr. THOM. If no coal moved over them when they were in existence, do you not think that was a very adequate reason for not continuing them?

Mr. LYON. That might depend on the size of the rate?

Mr. THOM. What possible object, Mr. Wright, could the Southern Railway Co. have, if it was a practical movement, to move coal everywhere else over its system which you have described it as doing, to cut it out from the territory of the Atlantic & Danville?

Mr. WRIGHT. I do not know what their object is. They are moving coal to Greensboro and Durham and all of that country south of the Virginia State line, and they do not move it or do not afford the opportunity to the shipper to move it up to a point on the Atlantic & Danville Railroad.

Mr. THOM. And it is inconceivable to you that that can be on account the physical condition, and the whole explanation is found in these physical obstacles?

Mr. WRIGHT. The physical condition permits the coal to move to Greensboro successfully. The physical condition on the Atlantic & Danville Railroad permits the Virginian Railway and the Norfolk & Western Railway and the Chesapeake & Ohio coal to move to local stations on that line.

Mr. THOM. And your idea of managing the road would be to move the coal for the Atlantic and Danville points down through Bluff City or Bulls Gap, around through Morristown, Asheville, and Greensboro, and up to Danville and then over the Atlantic & Danville line?

Mr. WRIGHT. You have presented the case relating to coal.

The CHAIRMAN. Answer his question. Is that your idea of the way coal ought to move?

Mr. WRIGHT. Virginia coal ought to be sold in the Virginia markets. It can not be sold if it is on the Southern Railway or the Virginia & Southwestern in Virginia to-day. They ought to make, in fairness to their own interest in dealing with the Norfolk & Western Railroad, an arrangement to move that coal to Danville or some other point on the line from Bristol or from Norton, a joint rate if they do not want to move it over their own line through the Carolinas. The road should be open on reasonable terms, and the miner in Virginia should be able, if possible, to sell in Virginia, and there should be no more difference in that than there is in the post office facilities in the State of Virginia.

Mr. THOM. So that is your idea of the way the coal business ought to be handled by the Southern Railway Co., around through the mountains of North Carolina, through Greensboro, up to Danville, and to the Atlantic and Danville points?

Mr. WRIGHT. Or as they move a great deal of merchandise in connection with the Norfolk & Western and the Virginian.

Mr. THOM. It does come by the Norfolk & Western and Virginian to those points?

Mr. WRIGHT. Yes, sir; but from mines on those roads and not from mines on the Southern Railway or the Virginia & Southwestern, either in Virginia or Tennessee. They are excluded from their home markets by existing conditions.

Mr. RIXEY. What rate did the Interstate Commerce Commission fix from the West Virginia mines to Durham, just south of Danville, over the one-line haul of the Norfolk & Western?

Mr. WRIGHT. I have not that decision with me.

Mr. RIXEY. Do you not know that it fixed the rate at $2.20?

Mr. WRIGHT. It might have.

Mr. THOM. Now, take up the next line that you referred t What is the name of the company running up through Chester Edgemont?

Mr. WRIGHT. The Carolina & Northwestern.

Mr. THOM. The Carolina & Northwestern connects with the Cal well & Northern, does it not?

Mr. WRIGHT. And controls it.

Mr. THOM. Where does the Caldwell & Northern extend from?

Mr. WRIGHT. From Lenore to Edgemont.

Mr. THOM. How far?

Mr. WRIGHT. Twenty-two miles.

Mr. THOM. Who built that? Who furnished the money to build it

Mr. WRIGHT. Judge, the Ritter Lumber Co. owned the timber i Caldwell County.

The CHAIRMAN. Just answer his question.

Mr. WRIGHT. I had the impression that they promoted the buil ing of that road. I do not know.

Mr. THOM. Do you not know that the Southern Railway Co. fu nished the money to build it?

Mr. WRIGHT. I know the Southern Railway Co. has been carryi the bonds in its treasury for some years, about $543,000, which wou support that statement.

Mr. THOM. Then why did you not make that statement first?

Mr. WRIGHT. Until you said it I did not know it that well. I a perfectly willing to put your statement in as my own. I did n know the Southern Railway Co. had furnished the money.

Mr. THOM. Do you not know that the Southern Railway Co. a made an effort to obtain an entrance to the Clinchfield coal field By the Clinchfield coal fields I mean the coal fields served by t Clinchfield road.

Mr. WRIGHT. Yes, sir; I remember that litigation.

Mr. THOM. Do you not know that the Southern Railway tried, connection with these Clinchfield coal fields, to build a line on extension from Edgemont up toward the Virginia-North Carol line in the direction of the Clinchfield fields?

Mr. WRIGHT. I did not know that the Southern had tried to bu it; no, sir.

Mr. THOM. And all that was before they obtained the Virgini Southwestern Railroad? Do you know that?

Mr. WRIGHT. I do not.

Mr. THOM. Do you not know that the Southern Railway did a g deal of work on practically the line of the Clinchfield road whe was hoping to get into those coal fields, and before the Clinchfi road was built? Did you hear that?

Mr. WRIGHT. I certainly did hear about that work they did obstruct the Clinchfield road while it was being built, but if I scribe that here you will charge me with bias, as you have repeate

Mr. THOM. You need not mind that, because I think that is v recognized. We will admit that and go on.

Mr. LYON. We will admit Mr. Thom's statement of that but no apply to anybody else present. That seems to be in his mind.

r. THOM. The bias is in my mind and the venom in somebody's

ıe CHAIRMAN. Let us go on, gentlemen. We have some other gs to consider.

r. WRIGHT. Shall I describe the work you asked me about?

r. THOM. Anything you please, Mr. "Bias."

r. DOUGLAS. Of course it is for the committee to determine if ısel can address the witness as Mr. "Bias."

r. THOM. He spoke of the bias.

r. DOUGLAS. Nobody suggested you to address the witness as "Bias," and I protest against it.

ıe CHAIRMAN. I do not think that is legitimate.

r. THOM. Then I withdraw it.

he CHAIRMAN. What is it you want Mr. Wright to do, Mr. Thom.

r. THOM. He is wanting to do something now. I will go on ı what I wanted to do when I have afforded him an opportunity.

ıe CHAIRMAN. Mr. Wright, if you know of anything the South- did to obstruct the work, state it.

r. WRIGHT. As you go along the Clinchfield road, up Doe River ohnson City and Spartanburg, you will see on the opposite side ıe gorge, miles of grading, you will see grading on both sides of gorge done by W. J. Oliver, of Knoxville, Tenn., the contractor was sent there by the Southern Railway Co. to do that work in ınce of the Clinchfield, which was trying to construct its line. will see the same work near Speers Ferry on the Clinch River the same work on the headwaters of the Guest River, and the spapers at the time were, for months, full of the railroad war.

r. THOM. I object to our motives being interpreted by the news- ırs. Any facts that may be in this witness's mind may be n, but I do object to the newspapers interpreting our motives.

r. WRIGHT. The newspapers did not describe, or, rather, I did ·ead the motive part of it in the newspapers.

nator JOHNSON. Describe what they actually did.

r. WRIGHT. They worked everywhere there along ahead of the chfield and began litigation, the Virginia & Southwestern par- arly. The Johnson City Southern was the Southern Railway ; corporation formed to occupy that gorge, and the Southern way Co. has been carrying that item of expense on its balance ; for several years. I think it has now disappeared, but they y among the list of stocks owned $71,000 in the Johnson City hern Railroad. That railroad was designed to extend the ıreeville branch to Marion, N. C., through the gorge of the Doe r, now occupied by the Clinchfield.

r. THOM. In other words, what the Southern did to obstruct get- through to the coal fields was to do a large amount of work, and are still carrying, or were a little time ago, as you say, the evi- e of that expenditure, and you call this obstructing a way of get- to the coal field. Is that it?

r. WRIGHT. I am telling you that that was a matter of interest in ıewspapers of that date.

nator JOHNSON. I think you had better confine it to the general ·mation you had at this time.

r. WRIGHT. That is all I had.

Mr. THOM. You are complaining that this road ends at Edgemont and is a dead end there and is not carried through to the coal field. Was not this very work that you referred to on a line to carry it through to the coal field?

Mr. WRIGHT. It might have been, but I do not think if you go up there into that country you will feel that you have offered a practical proposition.

Mr. THOM. Why? Is there a mountain in there?

Mr. WRIGHT. Sure. There are mountains everywhere in there.

Mr. THOM. You do not think it is a practical plan to extend from Edgemont, then, into the coal fields?

Mr. WRIGHT. Judge, the work you describe does not fit in. The work was on the Doe River, on the Clinch River, and on the Guest River. The Virginia & Southwestern Railway was already into coal at Toms Creek, Appalachia, Stonega, and all that territory. Now, look at the Edgemont line there just a minute.

Mr. THOM. Before you look at that, do you not know that at the time you alluded to the Southern had no interest whatever in the Virginia & Southwestern?

Mr. WRIGHT. I think that that occurred in 1906, and the Southern Railway Co., tentatively at least, agreed to buy the stock of the Virginia & Southwestern Railway May 10, 1906.

Mr. THOM. Your statement is that the Southern Railway Co. had an interest in the Virginia & Southwestern Railway at the time of this work?

Mr. WRIGHT. Yes.

Mr. LYON. You started to say something about this work not fitting on to the Edgemont line. Finish what you had to say about this work not fitting on the Edgemont line if you have not done so.

Mr. WRIGHT. The valley of the Doe River was not an approach to Edgemont. That line should connect with the Virginia & Southwestern at Butler, just below Mountain City. There is some heavy work in there. There are many surveys. The work in question was just where the C., C. & O. crosses the mountain range and State line on that map.

Mr. THOM. So the work in question was somewhere along this general green line on this map of the C., C. & O.

Mr. WRIGHT. The Southern Railway has a branch out from Johnson City to Embreeville, and the work was designed to extend that Embreeville branch to Marion, ostensibly. You went ahead with that work in the one defile in that particular section through which the railroad can go. I submit the judge's intentions are good in framing that question as he has framed it, but that he is unacquainted with the situation between Edgemont and Mountain City, Pineola, and through that mountain range.

Mr. THOM. Please acquaint me with that.

Mr. WRIGHT. The double black line from Johnson City to Pineola——

Senator JOHNSON. I see a double black line from Edgemont to Pineola. You call it Mountain City.

Mr. WRIGHT. That double black line is the East Tennessee & Western North Carolina Railway for the first 34 miles, to a point called Cranberry, N. C., just over the State line. It is 12 miles from Cranberry to Pineola, a little narrow-gauge road, which was built

by a lumber company, and is a very poor railroad proposition, making 46 miles from Johnson City to Pineola. That is not a practical line for the movement of coal; it is a narrow-gauge road. The route is not a practical one because of the grades from Pineola to Edgemont. According to the letter of the North Carolina State Railway Commission, appearing in these records, it is 10 miles. I personally know that it is 12 miles, and that the Blue Ridge Mountains intervene. Those two lines connect and in combination would not produce a coal line under any condition, but it is entirely feasible, by the expenditure of money, to connect the Carolina & Northwestern from Edgemont to the Virginia & Southwestern near Butler, Tenn., through a gap in those mountains. That distance is about 30 miles. There are many surveys.

Mr. THOM. What gap was more available than the gap through which the Clinchfield passed?

Mr. WRIGHT. I can not answer that. That would really be an engineering question. The Clinchfield crosses the mountain in a good location.

Mr. THOM. And the place where the Clinchfield passed was the very place where the Southern Railway Co. was doing this work?

Mr. WRIGHT. The evidence is there yet. The work is there.

Mr. THOM. So the extension of the line from Lenore to Edgemont, and the work that the Southern Railway Co. was doing through the defile that the Clinchfield now occupies would have furnished a connection with the coal fields, would it not?

Mr. WRIGHT. I can not connect the two, Judge. I never heard that proposition advanced in just that way.

Mr. THOM. So you do not think that the Caldwell & Northern and the Carolina & Northwestern should have been extended through that mountain?

Mr. WRIGHT. No. I do not see that at all. I do not see what was in the mind of the Southern Railway.

Senator JOHNSON. Without reference to what their motive might have been, answer the question as to the physical connection. I understand the question to be, taking the line starting at Edgemont, and considering the work the Southern Railway was doing along the line of what is now the Clinchfield line, whether that defile was a proper place for the work in order to make it practical to continue the line from Edgemont through there.

Mr. WRIGHT. Not from Edgemont. From Marion there.

Mr. THOM. I am asking whether there is any other way from Edgemont to create a practical coal line through these mountains that would have been sensible for anybody to undertake.

Mr. WRIGHT. I have never seen the survey from Edgemont to Butler. I have talked with a great many people in that country; I spent about eight summers right in there, two or three months every summer, and there was a general public knowledge of the surveys, the presence of the engineering corps, and it was always given to me that the practical route and the easy route would be to Butler in connection with the V. & S. W. Butler is on the Wataba River.

Mr. THOM. Let me understand. On that sort of indefinite information as to the physical conditions and cost of construction do you make complaint that the Southern Railway has not extended that line from Edgemont through the mountains to the coal field?

Mr. WRIGHT. I am not making any complaint here.

Mr. THOM. Do you make any criticism?

Mr. WRIGHT. No.

Mr. THOM. So we can dismiss that.

Mr. WRIGHT. The statement of the facts, as I understand them, i filed with the committee; and they stand for what they are worth.

Mr. THOM. Have you any concrete idea of the engineering dif culty or the cost of carrying that road across the mountain to th coal field?

Mr. WRIGHT. I know that the engineering difficulties are great; I will say that. I have not made any cost calculation.

Mr. THOM. On the knowledge you have would you put your ow money into an extension across there, if that Carolina & Wester was an independent line, as a paying proposition?

Mr. LYON. I do not understand the question myself. Do yo mean independent of the Southern Railway Co.?

Mr. THOM. Yes.

Mr. LYON. Just go there and build a road without any connectior

Mr. THOM. If it was independent of the line, whether or not l would put his money in that extension?

Mr. WRIGHT. No.

Mr. THOM. Then, the Southern Railway Co. buying that proper has not bottled up the coal field, has it?

Mr. WRIGHT. That simply adds another obstacle to the creati of a coal line through that country.

Mr. THOM. The obstacle is the mountain and the cost, of which y do not know the extent.

Mr. WRIGHT. Oh, no. The Carolina & Northwestern road occ pies the same territory there.

Mr. THOM. If the Southern Railway Co. had not bought up t Carolina & Northwestern and the Caldwell & Northern it would an independent line?

Mr. WRIGHT. Always be there as a possible future competitor.

Mr. THOM. And you say you would not put any money in t enterprise of connecting that up with the coal fields?

Mr. WRIGHT. Not as a separate line, with the Southern Railw owning the only connection you could possibly have to the coal fiel and owning parallel and competing lines to the coal markets; no.

Mr. THOM. Would you put any in it if it was not an independe line and owned by the Southern?

Mr. WRIGHT. I can not say. That question deals with a hypotl sis to an extent that I can not——

Mr. THOM. Are you able to say that the route to the coal fiel through Edgemont would be preferable to one through Marion?

Mr. WRIGHT. I am not.

Mr. THOM. And there is one through Marion?

Mr. WRIGHT. There is now.

Mr. THOM. And the Southern Railway Co. was doing some cc struction there, and there was litigation over the question as to w had the right to do it, and the Clinchfield won out, did they not?

Mr. WRIGHT. They won out.

Mr. THOM. Now, we have this situation, do we not, that there from the Appalachian region to all this southeastern territory a li

of the Virginia & Southwestern and the Southern, and from contiguous territory at Dante over the Carolina, Clinchfield & Ohio, and from contiguous territory of the Pocahontas fields over the Norfolk & Western Railroad, all leading into the Southern territory?

Mr. WRIGHT. We have.

Mr. THOM. We have your testimony to the effect that the Southern Railway spent a very substantial amount of money in trying to get through the mountains on the grade of the Little Tennessee River to Franklin to its lines in Tennessee as an additional method of opening up the coal fields?

Mr. WRIGHT. You spent the money?

Mr. THOM. We have the additional fact that the Southern Railway Co. spent $1,000,000 in getting from Appalachia to the Black Mountain district after it acquired the Virginia & Southwestern, have we not?

Mr. WRIGHT. It did.

Mr. THOM. We have the additional fact that in order to improve the grades on the Virginia & Southwestern, which were difficult, it has spent several millions of dollars in a cut-off from the Moccasin Gap to Bulls Gap?

Mr. WRIGHT. The grade reduction on the Virginia & Southwestern proper did not involve any expenditure of that kind—at least it does not appear in your annual report?

Mr. THOM. In order to make a more feasible and easily operated route as an outlet to the coal in the Virginia & Southwestern region, in addition to the $1,000,000 that the Southern Railway Co. spent in gaining an entrance into the Black Mountain district from Appalachia, it spent several million dollars in getting a route from Moccasin Gap to Bulls Gap, did it not?

Mr. WRIGHT. It did.

Mr. THOM. We have this situation, that in order to bottle up the coal territory in the Appalachian region, including the Black Mountain, the Southern Railway Co. has, since the acquisition of the Virginia & Southwestern, spent $1,000,000 to get its tracks into the Black Mountain district, and has spent, in addition to that, several millions of dollars in getting an improved line from Moccasin Gap to Bulls Gap. Is not that so?

Mr. WRIGHT. Suppose we foot up what you have done there, as a reply to that question.

The CHAIRMAN. Before you do that, I would like to ask if the Southern Railway built the line from Moccasin Gap to Bulls Gap or improved it?

Mr. THOM. It built it.

Mr. WRIGHT. The first step, May 10, 1906, was to pay the McHarg syndicate $4,000,000 for $2,000,000 worth of stock in the Virginia & Southwestern Railway.

Mr. THOM. As I understand you, they paid that $4,000,000 in order to bottle up that territory?

Mr. DOUGLAS. He is answering the question. Let him go ahead.

Mr. WRIGHT. Judge, that does not help.

Mr. THOM. It does not help you.

Mr. WRIGHT. I mean the interruption. I am trying to answer your question. The next step was to make sure that the Virginia &

Southwestern coal group was permanently fixed to include Toms Creek, so as to get the tonnage of the Virginia Iron, Coal & Coke Co. at that point. The completion of the Black Mountain Railway put the Virginia & Southwestern into the Black Mountain fields, which were already reached over the Louisville & Nashville from Appalachia. I mean that physical conditions existed via the Louisville & Nashville Railroad—that the duplication of those facilities, so far as the Black Mountain district itself is concerned, was unnecessary. They might have been helpful in getting to the Keokee portion now belonging to the Stonega Co. The cut-off was completed from Moccasin Gap to Bulls Gap, which you have just referred to, and it is a very good line. The result has been to produce a line from the Black Mountain District to Knoxville, in the south, over the Louisville & Nashville and Southern Railway, through Cumberland Gap, which is much longer than the Cumberland Gap route through Knoxville or any point beyond. There is an exhibit filed showing the exact distance. It does not shorten the distance to North Carolina through Morristown. I submit that the coal territory was in possession of lines of railway from Norton to Black Mountain, inclusive, which had access to the Carolinas, and to Georgia points through Morristown and Knoxville, before this purchase and before these expenditures, and its obstacle lay solely in the different interests owning those tracks—the Louisville & Nashville, the Virginia & Southwestern, and the Southern Railway.

Mr. THOM. Now, let us examine your statement. I understand you to say the first step after the Southern got the Virginia & Southwestern was to arrange for trackage rights up to Toms Creek?

Mr. WRIGHT. Oh, no. I do not question your understanding, but that is not what I said. I did not use the word "trackage" at all.

Mr. THOM. The only way they got into Toms Creek district was by trackage right?

Mr. WRIGHT. It was.

Mr. THOM. Do you mean to testify that that trackage right which is the only entrance into Toms Creek by the Virginia & Southwestern was secured after the Southern Railway Co. acquired its interest in the Virginia & Southwestern Railway Co.?

Mr. WRIGHT. No; not at all.

Mr. THOM. In other words, the relation of the Virginia & Southwestern to Toms Creek was established long before the Southern Railway had any relation with the Virginia & Southwestern?

Mr. WRIGHT. I used the words "make sure."

Mr. THOM. And I asked you a question. Please answer.

Mr. WRIGHT. About 1901 I think that trackage right was made.

Mr. THOM. In 1901, antedating any interest of the Southern Railway Co. in the Virginia & Southwestern, the relationship as it now exists of the Virginia & Southwestern to the Toms Creek section was established, was it not?

Mr. WRIGHT. The physical relationship you are speaking of, the train service?

Mr. THOM. I am speaking of all relationship.

Mr. WRIGHT. You knew that the relationship of Toms Creek rate to the Virginia & Southwestern rate was changed by the Interstate Commerce Commission?

Mr. THOM. I am talking about what the roads did?

Mr. WRIGHT. I asked you about the physical condition; I am trying to answer.

Mr. THOM. What do you mean by saying "to make sure"—that the Southern did something to "make sure" of its relation to Toms Creek? What do you mean by that?

Mr. WRIGHT. This involves, Mr. Chairman, the bringing into the hearing at this time some correspondence which would not have appeared until later—the Southern Railway Co. records.

The CHAIRMAN. Tell me what you mean by "to make sure."

Mr. WRIGHT. I mean that the president of the Virginia Iron, Coal & Coke Co. was the president of the Virginia & Southwestern Railway, and he and his associates were interested in the stock.

The CHAIRMAN. That is already in the record.

Mr. WRIGHT. And that it was an implied condition of the sale that his operation should be permanent in the Virginia & Southwestern route group, that the trackage arrangement should be perpetuated as far as possible so that the Toms Creek operations going south would be in the Virginia & Southwestern route group and all going east, as the Norfolk and Western stuff. It had an advantage over the Virginia & Southwestern mines to L. & N. mines in that territory to Tidewater at Norfolk and beyond. That set up a condition benefiting the mines of that company very much. They can ship east, and no one else of any mines in that group can ship east. They can ship west with everybody else.

Mr. THOM. All that being interpreted means that the Toms Creek district had both lines—the Virginia & Southwestern and the Norfolk & Western.

Mr. WRIGHT. And that the Norfolk & Western set the Virginia & Southwestern up in business on its line to do something which obviously the Norfolk & Western does not want to do. The fair thing would have been to have made the same arrangement westbound that was made eastbound at Toms Creek and maintain the group.

Mr. THOM. Are you complaining of the Norfolk & Western? Is this the same old complaint about the Norfolk & Western not being willing to agree to a through rate on coal from the Appalachia district through Norton to Norfolk?

Mr. WRIGHT. I am not discussing that. I am trying to answer your question.

Mr. THOM. My question is what is there in this Toms Creek situation except that two lines of railroads ran into it, namely, the Virginia & Southwestern and the Norfolk & Western, one running west and the other running east.

Mr. WRIGHT. Over the same tracks.

Mr. THOM. That is the fact, is it not?

Mr. WRIGHT. Yes.

Mr. THOM. And that right to run over that track was secured by the Virginia & Southwestern long before the Southern Railway had any relation to that road?

Mr. WRIGHT. Under entirely different conditions.

Mr. THOM. Now, you complained in your answer a moment ago of the building of the Virginia & Southwestern from Appalachia into the Black Mountain district?

Mr. WRIGHT. No; I did not complain.

Mr. THOM. You said something that sounded very much like it to me. Do you or not complain of that?

Mr. WRIGHT. I do not complain of that.

Mr. THOM. The construction of this railroad, costing millions of dollars, from Appalachia into the Black Mountain district was insisted on by Mr. Dulaney in the contract in which he sold the Black Mountain Railroad, was it not?

Mr. WRIGHT. I am not familiar with that.

Mr. THOM. Do you not know that the Southern Railway Co. as part of the purchase had to assume the obligation to build that road into the Black Mountain district?

Mr. WRIGHT. Had to assume it?

Mr. THOM. Yes.

Mr. WRIGHT. As a part of the purchase of the Virginia & Southwestern stock?

Mr. THOM. Yes.

Mr. WRIGHT. No; I do not. I have heard that.

Mr. THOM. At any rate, it had already spent $1,000,000 to get into that Black Mountain region and thereby you have both the Louisville & Nashville and the Southern Railway over the lines of the Virginia & Southwestern?

Mr. WRIGHT. We have duplicate facilities, one on each side of the Stone Mountain between Appalachia and Pocket.

Mr. THOM. And the Southern spending that $1,000,000 to get into the Black Mountain district does not look very much like it was trying to bottle up that district, does it?

Mr. WRIGHT. On the face of it, the construction of that line; no.

Mr. THOM. Has not the Black Mountain coal industry got exactly the same rate that all of the other points in the Appalachian group have over the Virginia & Southwestern Railroad and the Southern to points reached by or via those lines?

Mr. WRIGHT. It has.

Mr. THOM. As an absolute condition of equality in respect to the condition between the Black Mountain region and the other part of the Appalachian group?

Mr. WRIGHT. They are all using the same through rates.

Mr. THOM. Now, Mr. Wright, what is the capitalization of the Black Mountain corporation?

Mr. WRIGHT. I do not recall. I think they have 1,000,000 bonds I do not remember the stock. I can get it out of Moody's Manua and have it here at the afternoon session.

Mr. THOM. How much actual money was put into that corpora tion? You can get the capitalization and put in it later.

Mr. WRIGHT. There was a good deal of actual money put in.

Mr. THOM. Give me the figures.

Mr. WRIGHT. I do not know. I never handled that and never ha any official connection with it.

Mr. THOM. Find out, please. Can you find out?

Mr. WRIGHT. I think I can. I do not know when, however. will not undertake to bring it here in a short time.

Mr. THOM. You need not bring the money, but just bring th figures. They are not hard to transfer.

Mr. LYON. Is it necessary to go into the private affairs of th Black Mountain corporation and its position?

The CHAIRMAN. I think he is entitled to have that if it can be obtained.

Mr. LYON. The actual money put in?

The CHAIRMAN. I think so.

Mr. THOM. This is no new proposition. Mr. Dulaney promised to furnish it.

The CHAIRMAN. I am not sure but what Mr. Dulaney stated it in his testimony.

Mr. THOM. No; he did not state it.

Mr. LYON. Assuming they put $100 in it, I was wondering what bearing it had upon the question before the committee?

Mr. THOM. I want to know now whether you will obtain and give me the actual amount of money invested in the Black Mountain corporation, and how much is represented in the capitalization of that company; that is, how much stock and how much bonds are invested in it?

Mr. DOUGLAS. Mr. Chairman, that is a matter we desire to interpose an objection to on the ground, first, that this is a matter with which Mr. Wright has nothing to do. Mr. Wright is simply here as a witness and is not an officer of the Black Mountain corporation. However, that is a small objection compared to the main one, and that is that counsel is now seeking to have the details of the private affairs of the Black Mountain Coal Corporation spread upon the records, because Mr. Dulaney has simply dared to complain about conditions and operations of a public corporation or semipublic corporation. The answer to the whole business would be, if they had $1,000 invested, they would have just as much right to complain and be here, represented by counsel, as if they had that many million dollars invested. We object on the general proposition, upon the main fundamental ground that it is the private affairs of these people and it does not concern this committee and could not possibly throw any light on this investigation.

Mr. THOM. You honor, of course I would not attempt to go into the matter if it was a mere private affair of these gentlemen, because then it would be thoroughly outside of this investigation, but I do not so understand it to be. I understand that the charge here that is being investigated is that this field is being bottled up and prevented from succeeding by the policy of the Southern Railway Co. in respect to the transportation of coal. It is, therefore, of course a legitimate inquiry as to whether or not there is not some other reason for the difficulties in which these gentlemen find themselves, and I am proposing to go into that feature of the case.

I am proposing to go into how much money has been put into that concern, whether they have established there an organization with sufficient money to handle and put out their product in competition with the people with adequate capital, also into the grade and character of their coal and into the other considerations which explain the failure of these gentlemen, and take away the burden of this charge from the shoulders of the transportation companies.

The CHAIRMAN. You say you are going into the question of the grade of coal?

Mr. THOM. Yes, sir.

The CHAIRMAN. Is it your contention that the coal is not of merchantable grade?

Mr. THOM. Oh, no. But it has peculiar qualities, that it is not steam coal in comparison with these other steam coals and that it has qualities for domestic use instead. Here is Mr. Dulaney's promise to put that in.

The CHAIRMAN. I thought he had either put that in or promised to

Mr. THOM. You asked him how much cash, how much land, and how much property of other kinds was put in, and Mr. Dulaney answered he could not answer that offhand, but he stated that later he would furnish the committee with a complete report on the subject.

Mr. DOUGLAS. Whatever Mr. Dulaney promises to furnish we will furnish, and we are perfectly willing to join these gentlemen in going into the question of the character of the coal, the quantity of it, and everything of that sort, proximity to the market, and whether or not it is worth the Southern Railway Co. trying to haul it. However, to make that an excuse for trying to go into the private affairs of these people is without warrant.

Mr. THOM. It is determined to be pertinent to the investigation by what I have just read.

The CHAIRMAN. The witness says he has not got the information now.

Mr. DOUGLAS. Why do you want to drag this witness into Mr. Dulaney's promises?

Mr. WRIGHT. I do not know about those things. I know about the United Collieries Co., and will be glad to furnish that.

Mr. THOM. Will you furnish it as to the Black Mountain corporation?

Mr. DOUGLAS. I object to that. He says he does not know.

The CHAIRMAN. What is the use of having him do it and Mr. Dulaney, both?

Mr. THOM. It may be of considerable use.

Mr. DOUGLAS. Will you mind explaining to us?

Mr. THOM. No. I have a right to ask that.

The CHAIRMAN. He says he does not know. That answers your question.

Mr.. THOM. What is the mining company in which you are interested?

Mr. WRIGHT. The United Collieries Co.

Mr. THOM. What is the actual amount of money put into that?

Mr. WRIGHT. I can not tell you in dollars and cents, but I will make this statement to you, that there never has been one cent of watered stock in it. It represents dollar for dollar cash put in.

Mr. THOM. What is your capitalization?

Mr. WRIGHT. $350,000.

Mr. THOM. You mean $350,000 has been put in?

Mr. WRIGHT. Practically.

Mr. THOM. What do you mean by "practically"?

Mr. WRIGHT. I mean absolutely all our capital was put up in cas

Mr. THOM. How much of that was put in in cash and how mu in other things?

Mr. WRIGHT. I can not give you the exact figures. It was a ve low figure. It represented, however, that amount invested in t Dominion. With regard to the Black Mountain Collieries Co., made everybody pay up 50 per cent in cash before that stock wou

be recognized. In other words, my personal investment stood me 150 per cent of the par value of the stock in the Black Mountain Collieries Co.

Mr. THOM. You mean you put in $150 for every $100 of shares you got?

Mr. WRIGHT. That, and I got out of the United Collieries Co. I stood an assessment of 50 per cent in cash.

Mr. THOM. What I am getting at is, how much stock of the United Collieries Co. is outstanding?

Mr. WRIGHT. I think the authorized capital was $350,000.

Mr. THOM. How much is outstanding?

Mr. WRIGHT. I can not tell you without footing up. I think I have $19,500—I am not sure—plus some other small amounts which represent to me 150 per cent.

Mr. THOM. You mean to say that you have, in round numbers, $20,000?

Mr. WRIGHT. Yes; which gave me $30,000.

Mr. THOM. In the United Collieries Co.?

Mr. WRIGHT. Yes, sir.

Mr. THOM. How much did you pay into the treasury of the United Collieries Co. for that?

Mr. WRIGHT. Let me carry it now? From the other corporation?

Mr. THOM. Just answer that question and then you can carry it. How much did you actually pay into the treasury of the United Collieries Co. for that $20,000 worth of stock that you have?

Mr. WRIGHT. My stock in the United Collieries Co. was paid for by my stock in the Black Mountain Collieries Co. after I had paid up the cash assessment of 50 per cent. I originally paid the par value in cash, 100 per cent, then paid 50 per cent extra, and after making that payment I got par in the United Collieries stock, so that every share represents to me $150.

Mr. THOM. You still have not told me how much you paid into the treasury of the United Collieries Co. for your stock.

Mr. WRIGHT. I was given credit for the payment of par value.

Mr. THOM. You did not pay anything into the United Collieries Co.?

Mr. WRIGHT. The stock was exchanged after it was made good by the assessment of 50 per cent additional money in cash.

Mr. DOUGLAS. What did you say the $20,000 cost you?

Mr. WRIGHT. $30,000.

Mr. THOM. I am right in interpreting your answer, that you paid nothing into the treasury of the United Collieries Co. at all, but there was simply an exchange of stock for the stock of some other company?

Mr. WRIGHT. The present paid-up stock represents my Black Mountain collieries investment of $100 a share in cash plus $50 a share assessment in cash.

Mr. THOM. Then, not having paid a cent into the treasury of the United Collieries Co., we have to look elsewhere for the place your money went, and that money went into the Black Mountain Collieries Co. Is that so?

Mr. WRIGHT. Yes; that is right.

Mr. THOM. What was the Black Mountain Collieries Co.?

Mr. WRIGHT. The Black Mountain Collieries Co. is a company holding a lease of the 1,500 acres of land adjoining the Virginia, Iron, Coal & Coke Co., in the Black Mountain to headwaters of Straight Creek.

Mr. THOM. What was the capitalization of that company?

Mr. WRIGHT. I think we capitalized it at $150,000, I am not sure, but no stock was issued against service or property. It held this lease and started to develop it on cash paid into the treasury, dollar for dollar.

Mr. THOM. How much was that cash in the aggregate?

Mr. WRIGHT. I do not remember just how much we raised. I think the authorized capital is $150,000, and we came very near having that much.

Mr. THOM. How near?

Mr. WRIGHT. I do not recall. I have all those old records at home and I will furnish them to the committee.

Mr. THOM. All I want is information.

Mr. WRIGHT. You are asking me for my recollection of the transaction. It was quite a number of years ago. I did not come here to-day prepared to answer you, but it would have been a very simple matter for me to have gotten those records from home.

Mr. THOM. Was there $150,000 worth of stock issued in the Black Mountain Colleries Co.?

Mr. WRIGHT. I do not remember the exact amount, but I can say this, to the best of my knowledge and belief, there was one share issued for every $100 of stock. There was no water of any kind in that capitalization.

Mr. THOM. It comes back then to how much money was paid in. I am trying to find out how much stock was issued.

Mr. WRIGHT. Myself and friends took about $45,000; the other people in it, as I recall, $75,000 to $90,000.

Mr. THOM. Well, that would make how much in all was taken by everybody?

Mr. WRIGHT. About $120,000 or $125,000.

Mr. THOM. And how much stock was issued for that?

Mr. WRIGHT. The same amount.

Mr. THOM. And that was all that was outstanding of that company?

Mr. WRIGHT. Yes.

Mr. THOM. Now, the United Collieries Co. has $350,000 of stock?

Mr. WRIGHT. As I recall, but I do not know how much is issued.

Mr. THOM. About how much is issued?

The CHAIRMAN. Just state about how much stock is issued in the United Collieries Co.

Mr. WRIGHT. I will have to figure a little.

Mr. THOM. Figure away.

Mr. WRIGHT. If I had had any idea that the judge wanted this information, I would have had the exact figures. There is nothing about that transaction. We took in the Black Mountain Colliers Co., the Dominion and the Bondurant Coal Co.—three companies. My interest in it came in in the manner I indicated. We first paid up 50 per cent in cash, as an assessment, so that the stock stood at 150 per cent. Just what the total amount of shares went in on that basis is, I do not recall offhand. The Dominion was put in at about

5,000. The investment in Dominion is about $168,000 or $178,000, I recall.

Mr. DOUGLAS. Pardon me, Mr. Wright. Do you mean to convey ə idea that you took over by consolidation three or four colleries that field?

Mr. WRIGHT. Yes; and I will cheerfully give these full records to ə committee, and copies to Judge Thom, so far as the United Col-ies Co. is concerned.

Mr. LYON. Would not that be the simplest way, if the committee ɜase?

Mr. WRIGHT. I do not attempt to recall these things offhand.

Mr. THOM. I would like for the witness to inform himself as to ɜse particulars, and then I will examine him about it.

The CHAIRMAN. All right.

Mr. THOM. When coal is mined and is shipped and reaches tide-ıter at a point where there are facilities for transshipment, is the oblem of the coal operator completely solved or does he still have look out for markets?

Mr. WRIGHT. He has to exchange his coal for cash in some way, d that is usually at the other end in the market.

Mr. THOM. In other words, it is a part still of his problem to find a ırket beyond a point of tidewater shipment?

Mr. WRIGHT. It certainly is.

Mr. THOM. When you gentlemen in these Virginian fields reach lewater with your coal at an acceptable rate and with adequate cilities for transshipment, your problem then will be to meet com-ıtition in the markets where you seek to introduce your coal, with her people already established there?

Mr. WRIGHT. It is our problem.

Mr. THOM. And you will find in most of those markets the strong ɔnsolidation Coal Co. you allude to, will you not?

Mr. WRIGHT. And the Berwind Co., the Rochester & Pittsburg ɔal & Iron Co., Mr. Iselin's Co., Jamison Co., Keystone Co.—dozens those powerful concerns.

Mr. THOM. And they have their representatives in all these mar-ɜts you allude to, trying to sell their coal just as you would try to ll your coal?

Mr. WRIGHT. Yes, sir; very full representation.

Mr. THOM. So that still it is a problem for you to consider, and has been a problem for us to consider whether the effort for you place your coal in these markets already occupied by these people ill succeed or not, is it not?

Mr. WRIGHT. Yes.

Mr. THOM. And that is an experimental question, which can only ɜ determined in the future by the results of your best efforts.

Mr. WRIGHT. It is.

Mr. THOM. In that situation, it still being an experimental and an nsolved problem, it is not unnatural that men's minds will arrive at hat can be done in that way with different degrees of assurance and ifferent degrees of hesitation.

Mr. WRIGHT. I agree with that.

Mr. THOM. So that when the Southern Railway Co. makes a de-elopment at Charleston such as is now assured, and puts in a large mount of money in the creation of transshipping facilities there, it

is still within the range of possibilities that the patrons on its lines may find themselves unable to displace people already occupying these foreign markets—foreign to Charleston, I mean—and the whole thing may prove an unremunerative investment to the Southern Railway, may it not?

Mr. WRIGHT. It may.

Mr. THOM. But, notwithstanding that this company has undertaken to create these facilities—and I now ask the privilege of showing the committee photographs of what the Southern Railway Co. has already done toward the establishment of these facilities at Charleston.

(At this point Mr. Thom laid before the committee a number of photographs.)

Mr. THOM. Here is the method of handling coal—dumping it into the vessel [illustrating upon a photograph].

Mr. DOUGLAS. Is that plan agreed on and the one under which they are working now [referring to large photograph]?

Mr. THOM. That is a plan of what is being done; it being understood, of course, that the committee is unable to reproduce these photographs in the record, but can use them for its own information.

The CHAIRMAN. Yes.

Mr. THOM. Here are some unmounted photographs that show different views [laying before the committee certain unmounted photographs].

The CHAIRMAN. We will now take a recess until 2.30 o'clock this afternoon.

(Thereupon, at 12.55 o'clock p. m., the committee stood at recess to meet this afternoon at 2.30 o'clock.)

AFTER RECESS.

Mr. THOM. I undertook on yesterday, your honors, to find out and put in the record the basis on which earnings on these separate branch lines were credited to them. I will take first the Atlantic & Danville. Of course, all business which both originated and ended on that line is credited to it in full; as to all business handled by that line and by some other portion of the Southern as well, earnings on such a shipment as that divide on a mileage prorate, which means that they take the whole distance a shipment moves as compared with the movement on the Atlantic & Danville, and take that percentage of it and credit it to the Atlantic & Danville.

The CHAIRMAN. And that is true of all the others?

Mr. THOM. There is a little different basis. I want to read them. Now, as to the Atlantic & Yadkin——

Senator JOHNSON. That is a little line from Cornelia——

Mr. THOM. No; that is a little line from Sanford up to Mount Airy.

Since July 1, 1914, what I have just said in respect to the Atlantic & Danville applies to the Atlantic & Yadkin; prior to that time the revenue was—all business that both originated and ended on that line—entirely credited to that line; as to business handled by that line in part and by another portion of the Southern Railway in part, there was an arbitrary basis, approximating the mileage

ısis, but a little greater; as to the Tallulah Falls, that line is op-
·ated entirely independently and by different offices, its revenues
ɜing kept entirely separate, and its revenues are on the basis of its
wn published tariff, which, being interpreted, means that that is
lso allowed by treaty with its connections a special amount more
ıan the mileage prorate, how much more we could only find by an
nalysis, but it is more. But in none of the roads is the earnings
ıade by the main line credited to the branch lines, except in so far
s any part of that is covered by these arbitrary allowances I
lluded to.

Mr. Wright, some question arose this morning as to whether the
uilding of that line from Appalachia into the Black Mountain field
y the Virginia & Southwestern was due to a contract made by Mr.
)ulaney when he sold the Black Mountain Railway to perhaps Mr.
IcHarg, or perhaps the Virginia & Southwestern—I do not know
·hich it was. I read you from page 159 an extract from that con-
·act for the sale of the Black Mountain Railroad, which already
ppears in the testimony there, as follows:

That the second party will, as soon as practicable after acquiring the stock
' the Black Mountain Railway Co. as aforesaid, build, or cause to be built, a
andard-gauge railway leading from some point on the said Black Mountain
ailway Co.'s line to a connection with second party's line which leads from
ppalachia to Mountain City; such new railway to be finished, in all events,
ithin two years from this date. or the second party may, within said two
ɜars, in lieu of the construction of said railroad. effect trackage arrangements
ith some other road whereby the desired connection may be had.

Mr. Dulaney testified that he signed that contract at that time.
Ie was the party representing the seller, and the second party was
ıe Virginia & Southwestern Railway, as I understand it, purchasing
ıe stock of the Black Mountain Railway Co. That is a fact, is it
ot?

Mr. WRIGHT. As to the two parties, is it a fact?

Mr. THOM. Yes.

Mr. WRIGHT. Yes.

Mr. THOM. And this part I have read you relates to the railroad
ıat was subsequently built by the Virginia & Southwestern after the
outhern acquired it from Appalachia into the Black Mountain
eld?

Mr. WRIGHT. If that is clear to me—I do not get your question.

(Thereupon the stenographer, by request, read as follows:)

Now, Mr. Dulaney testified that he signed that contract at that time. He was
e party representing the seller, and the second party was the Virginia &
outhwestern Railway, as I understand it, purchasing the stock of the Black
ountain Railway Co. That is a fact, is it not?

Mr. WRIGHT. That is your question?

Mr. THOM. That is the question.

Mr. WRIGHT. It is.

Mr. THOM. Mr. Wright, a good deal has been said about the use
this line from the Appalachian district of the Louisville & Nash-
lle down to Middlesboro and then over the Southern lines extend-
g south and southeast. Of course, you realize that a shipment in
ıt direction would mean the Virginia & Southwestern and South-
ı not handling that shipment the entire distance?

Mr. WRIGHT. It would.

Mr. THOM. And it would mean that the Louisville & Nashville would get a part of the haul?

Mr. WRIGHT. From the mine to Cumberland Gap, 45 miles.

Mr. THOM. And the natural and proper policy probably, if you were in the management of the Southern and the Virginia & Southwestern, would be to attempt to control that shipment over your lines the whole distance, would it not?

Mr. WRIGHT. Very naturally.

Mr. THOM. So that the only question would be in which anybody would be interested as a shipper of coal as to the rate between the two lines?

Mr. WRIGHT. It would be.

Mr. THOM. And that question is now before the Interstate Commerce Commission?

Mr. WRIGHT. I believe so.

Mr. THOM. And you have testified in full on that question in that very case before the Interstate Commerce Commission?

Mr. WRIGHT. I have.

Mr. THOM. Now, something has been said, and I must confess I feel some sympathy with that view, about a rate from the Benham group, of $1.55 to Atlanta, via the Louisville & Nashville, the Benham group being over on the north side of that mountain, as compared with the rates from the Appalachian group over the Southern Railway to Atlanta of $1.70. That question is also before the Interstate Commerce Commission in this same proceeding, is it not?

Mr. WRIGHT. It is.

Mr. THOM. You have testified fully as to that?

Mr. WRIGHT. I testified once on the general question involving both of the propositions you have mentioned.

Mr. THOM. Your contention there is that those rates do not compare properly with one another—the $1.55 from the northern side and the $1.70 from the southern side?

Mr. WRIGHT. That was my testimony.

Mr. THOM. And that is one of the issues to be determined by the Interstate Commerce Commission in that proceeding?

Mr. WRIGHT. It is.

Mr. THOM. You and I agree as to that fact, or we might disagree whichever it is; but whichever side of that proposition you take or whichever side of that proposition I take, or whether we both take the same side, that question is going to be finally decided and determined by the Interstate Commerce Commission in the proceeding now ready to be terminated by a decision; that is so, is it not?

Mr. WRIGHT. I do not know that they would finally decide it; they would render a decision, no doubt.

Mr. THOM. They will do whatever they think the law and the facts justify in respect to that issue.

Mr. WRIGHT. They will; whether that is a final decision or not there is a difference of opinion. Of course when I referred to the $1.55 I understood that that was a rate made by the Louisville & Nashville.

Mr. RIXEY. In which the Southern does not participate?

Mr. THOM. In which the Southern does not participate, and the the $1.70 rate to which I allude is a rate made by the Southern, in which the Louisville & Nashville does not participate.

Mr. WRIGHT. As a matter of fact, the comparison before the Interstate Commerce Commission was for discrimination, made by the eparate carriers.

Mr. THOM. They can decide the question of the reasonableness of ither rate.

Mr. WRIGHT. Your argument before the Senate Committee on nterstate Commerce covers that point effectively.

Mr. THOM. I will have to put that whole argument in here and nake it over again.

Senator JOHNSON. It seems to meet with very general approval.

Mr. THOM. It does not, altogether. Its exact limitations and applications do not seem to be appreciated.

I will say in connection with that that the point that I was arguing t that time was that the question of competition as related to restraint of trade is a very different thing as applied to railroads and s applied to industrial corporations. I was saying that the policy f the Government was that there should be no competition in rates, nd I illustrated that by showing that if there was competition in ates and there was a lower basis of rates on one railroad into a erritory than there was on another railroad into territories similarly situated, one of those districts would be doing business at n advantage over the other, which was not contemplated. I did ot mean to say, nor do I think, that because one railroad made a ate into a certain territory that it was the policy of the Government o compel another railroad to make it into that territory, but merely o permit such things in respect to rates as would insure equality nder similar circumstances and conditions for business everywhere. am not going to make that argument all over again.

Now, Mr. Wright, has not the Southern Railway also built from he neighborhood of Jellico a line to develop coal fields in that icinity?

Mr. WRIGHT. Built by the Southern?

Mr. THOM. Yes.

Mr. WRIGHT. Not to my knowledge.

Mr. THOM. Well, that is a fact.

Mr. WRIGHT. Just what line do you refer to? Possibly we can——

Mr. GREEN. The Fonde branch.

Mr. WRIGHT. They own the Cumberland Railroad from Jellico to onde, according to your annual report, and it is used jointly with he Louisville & Nashville.

Mr. THOM. Did not the Southern Railway build that?

Mr. WRIGHT. Not to my knowledge.

Mr. THOM. You do not know that it did not?

Mr. WRIGHT. I do not.

Mr. THOM. Did they not also buy a railroad from a place called rtemus, partly constructed, down toward Jellico?

Mr. WRIGHT. My understanding is that this was originally from rtemus south to Jellico, the north end at Artemus, connecting only ith the Louisville & Nashville Railroad, being called the Cumberand Railroad; the south end, from Jellico or Hyde, Tenn., up to lear Fork to Fonde, being called the Cumberland Railroad; and hose terms "railroad" and "railway" may have reversed, but the p between them is partially graded. Whether that was built by

the Southern Railway Co. or not, I can not say, but it was b under a different name.

Mr. THOM. Assuming the facts you have stated you do not kn that the Southern Railway Co. did build the part of it running from Jellico toward Artemus or toward the mountain between A mus and Jellico, you do know the fact that they bought from G Stone and others, of Pennsylvania, the railroad running south fr Artemus toward Jellico, do you not?

Mr. WRIGHT. That is covered by an exhibit making that statem and Mr. Harrison reported it on page 477.

Mr. THOM. That was in Mr. Spencer's lifetime, and not long fore his death?

Mr. WRIGHT. April, 1906—he was undoubtedly alive at that ti

Mr. THOM. And after they bought it they proceeded to constr it south toward Jellico, did they not, and did considerable work it before Mr. Spencer's death?

Mr. WRIGHT. I really can not connect it with that sad event, I really have no knowledge of the Southern Railway's activities speak of as the Southern Railway.

Mr. THOM. Do you or do you not know that that was being car actively forward up to the panic of 1907 for the purpose of com through that mountain into the Kentucky fields beyond, which wo have required a very considerable tunneling of the intervening mo tain, and that that tunneling was in contemplation before that pa and at the time of Mr. Spencer's death?

Mr. WRIGHT. I do not know it.

Mr. THOM. You do not know, then, that after Mr. Finley cam that the policy of the extension, which had taken shape in that in various other ways under Mr. Spencer, had come in conflict w the conditions brought about by the panic of 1907, and that th after Mr. Finley adopted the policy of improving the proper already owned by the Southern Railway Co. rather than that of tending into new territory?

Mr. WRIGHT. I do not have knowledge of that.

Mr. THOM. Do you or not know that the actual fact that Mr. I ley's activities as president were applied to the improvement of lines already on the map of the Southern Railway, and not in direction of the extension of those lines further?

Mr. WRIGHT. I have no knowledge of Mr. Finley's policy or personal view, but would certainly testify that the Southern R way's lines have been improved.

Mr. THOM. Have you testified, Mr. Wright, that the Soutl Railway controls all the gaps in the mountains by which railr can be built into the coal fields?

Mr. WRIGHT. Can be built?

Mr. THOM. Yes.

Mr. WRIGHT. I do not recall using exactly that language. you refer me——

Mr. THOM. I do not understand that. I understood Mr. Lyo make that statement. I did not know whether you made it or no am asking whether you did make it.

Mr. WRIGHT. I do not recall using the word "all."

Mr. THOM. Well, is it a fact that the Southern Railway Co. con-
ols all the means of crossing the mountains to get into those coal
elds from the southeast?
Mr. WRIGHT. The Southern Railway, until the Louisville & Nash-
lle built from Knoxville to Atlanta, in 1906 or 1907, controlled all
e territory between the line of the Norfolk & Western Railroad
om Roanoke to Winston-Salem on the east, and the line of the
outhern Railway from Cleveland, Tenn., to Atlanta on the west,
e distance by rail to Bristol being 363 miles. The one way
rough was the Asheville-Morristown line and Southern Railway
the French Broad River.
Mr. THOM. There was no other way?
Mr. WRIGHT. Through?
Mr. THOM. No other way through.
Mr. WRIGHT. I do not know of any, prior to the Louisville &
ashville going through from Knoxville to Atlanta, A., K. & N.
oposition, and the new construction.
Mr. THOM. What I am getting at is whether or not there exists
y place available for the building of a line, if anybody wanted
build it.
Mr. WRIGHT. I could not possibly answer that. There are not a
eat many gaps; as you said this morning, it is a difficult country;
am not in the position to answer that question at all.
Mr. THOM. There are gaps through which anyone who wanted
build a railroad there could build it?
Mr. WRIGHT. You are occupying quite a number of them.
Mr. THOM. But, there are still others left, are there not?
Mr. WRIGHT. There might be; can you suggest any?
Mr. THOM. Yes.
Mr. WRIGHT. Where?
Mr. THOM. Here is what Mr. Lyon stated in his address to the
mmittee:

When you examine it, you will find the Southern Railway practically con-
ols every gateway across those mountains, but has only one open.

I do not recall whether you testified to that, and my question was
rected as to whether or not you did?
Mr. WRIGHT. I can not help you on that.
Mr. THOM. What do I understand your testimony now on that
bject would be?
Mr. WRIGHT. Why, that you have the Little Tennessee River oc-
pied with your tracks, except for a short gap, where it does not
nnect; the Aluminum Co. of America is occupying the valley.
ou have the French Broad River occupied with your through line
om Wilkesboro and Asheville to Morristown; the Clinchfield has
e Doe River. The Virginia & Southwestern comes up to the moun-
n on one side, and the Carolina & Northwestern on the east side
the same point. The Norfolk & Western, the spur line, as far as
ffersonville; another spur line as far as Galax, opposite which you
ve the Cape Fear & Yadkin Valley to Mount Airy, and T. & O.
om Wilkesboro. Then we have the Norfolk & Western, Winston-
lem division, between Roanoke and Winston-Salem, through pas-

sage there. You have the territory very well occupied with yo tracks, both connected and unconnected.

Mr. THOM. How about a line through the Blue Ridge Mountai between Elkin and Sparta, known as Roaring Gap? Do you kn a railroad is actually being built in that vicinity by independe parties?

Mr. LYON. Where is Elkin—what State?

Mr. WRIGHT. You will find just east of Jefferson, Sparta is in the That is a gay place to go through, not to be disrespectful.

Mr. THOM. Somebody is attempting just that gayety now, are th not—an independent railroad company attempting just that gaye now?

Mr. WRIGHT. I hope they get through.

Mr. THOM. How about a road from the Black Mountain coal fie through Pennington Gap, thence through Love Lady Gap to connection either with the C., C. & O. or by an independent ro down the Holston Valley and the Tennessee Valley to Pigeon Rive thence up that river to Canton River; then through a gap, throu Fletcher, near Caesars Head, thence on to Greenville, S. C.? D you know anything about the feasibility of that route?

Mr. WRIGHT. Oh, you can go right across on a horse from Huntin ton Station, on the Louisville & Nashville, to Duffield, on the Virgi & Southwestern, through Love Lady Gap, and beat the train.

Mr. THOM. Do you know that a line can be built on that route have just mentioned better in grade and shorter in distance than t Southern Railway?

Mr. WRIGHT. No; I do not. I will not question it, however. know nothing about it, except the line through the Love Lady G would be a good coal line for the first 15 or 16 miles.

Mr. THOM. Do you know whether a line could be built throu Rutherfordton from Henderson to Asheville, and also a bran through Canton into the valley of the French Broad River to Ne port, and thence down the Tennessee River?

Mr. WRIGHT. I do not.

Mr. THOM. Do you know that the Southern Railway does n occupy the entire Rayburn Gap, but that other railroads can easi secure locations through there?

Mr. WRIGHT. I do not know.

Mr. THOM. One way or the other?

Mr. WRIGHT. One way or the other on the Rayburn Gap.

Mr. THOM. When are you going to bring in those contracts that were speaking of yesterday, Mr. Lyon?

Mr. LYON. I did not have time to get them up last night; I will t and do it to-night.

Mr. THOM. Whenever they come in, I will renew examination o that.

I will ask leave to suspend my examination of Mr. Wright at th point and let Mr. Rixey examine him on some rate features. I c not say I am through, because I have not had opportunity to look those contracts.

Mr. LYON. I think those two contracts have gotten into the rec but if there is another one I will have it looked up.

Mr. RIXEY. Mr. Wright, when Mr. Dulaney was on the stan said he did not know anything about the coal rates—was not

pared to testify on that subject—but that an expert would be later produced who would deal with that question. Are you that expert?

Mr. WRIGHT. I do not qualify as an expert.

Mr. RIXEY. You do not claim to be an expert on the subject of coal rates?

Mr. WRIGHT. I do not.

Mr. LYON. I would like to have given what is the definition of an expert on rates. What does he mean by it?

Mr. RIXEY. I am using Mr. Dulaney's language. He said he would have an expert on the subject of coal rates. Now, I ask Mr. Wright if he is that expert?

The CHAIRMAN. Well, he says he is not.

Mr. RIXEY. He says he is not.

Mr. LYON. I have been looking for one a long time.

Mr. RIXEY. Mr. Wright, will you look at Exhibit A?

Mr. WRIGHT. I think I have it—I. C. C. average figures; is that it?

Mr. RIXEY. Yes, sir. Now, you made the statement that the coal rates of the Southern Railway were 37 or 38 per cent higher than the coal rates of the United States, did you not?

Mr. WRIGHT. I quoted the Interstate Commerce Commission.

Mr. RIXEY. Your authority on that is the comparison of the per ton per mile revenue on coal for the United States as compared with the per ton per mile revenue of the Southern Railway?

Mr. WRIGHT. As per the return of the Interstate Commerce Commission.

Mr. RIXEY. Is that your only authority for that statement?

Mr. WRIGHT. My only authority.

Mr. RIXEY. Do you not know that the average per ton per mile reported to the Interstate Commerce Commission is not the average coal rate, but is the average revenue?

Mr. WRIGHT. What they reported to us—average receipts per ton per mile on bituminous coal, year 1913, page 44.

Mr. RIXEY. The commission does not call it average rate, does it?

Mr. WRIGHT. What is the difference?

Mr. RIXEY. Well, let us see.

Mr. WRIGHT. Here is the average receipts on the exhibit.

Mr. RIXEY. Now, let us see. You say that shows average rate on coal, do you?

Mr. WRIGHT. No; I say average receipts; I testified to this exhibit.

Mr. RIXEY. Then there is a vast difference between the average rate and the average receipts, is there not?

Mr. WRIGHT. There might be.

Mr. RIXEY. In other words, Mr. Wright, when you take your average receipts per ton per mile you have in that average not only a rate received by the Southern Railway for a haul between two points on its line, but the division of rates, do you not?

Mr. WRIGHT. I might have.

Mr. RIXEY. Parts of rates, fractions.

Mr. WRIGHT. I might have.

Mr. RIXEY. Do you not have—do you not know you have?

Mr. WRIGHT. Now, look here—I am testifying——

Mr. RIXEY. Answer my question.

Mr. WRIGHT (continuing). To the Exhibit A, containing Interstate Commerce Commission average receipts per ton per mile on bituminous coal. As to how the Southern Railway figures are made up or how the commission arrived at them, I have no knowledge; as to opinions on that, I decline to express them.

Mr. RIXEY. So you do not know whether that per ton per mile shown as the receipts per ton per mile is the average rate or is the average receipts.

The CHAIRMAN. He said it was average receipts.

Mr. RIXEY. Now, then, do you not know, Mr. Wright, that the average receipts embrace not only total rates but also fractions of rates, the earnings on divisions of rates under all imaginable kinds of conditions of any railroad?

Mr. WRIGHT. The English of it is, average receipts from the Southern Railway. There would be all sorts of component parts to the average.

Mr. RIXEY. Not only by total rates but fractional rates and every kind imaginable. You say that demonstrates that the Southern Railway's coal rates are the highest rates in the United States, do you?

Mr. WRIGHT. Can you show me where I have testified to that?

Mr. RIXEY. Do you claim that?

Mr. WRIGHT. I am not claiming anything now; show me where I have testified to that.

Mr. RIXEY. What is the purpose of this exhibit, then?

Mr. WRIGHT. The exhibit stands for itself; the comparison——

Mr. RIXEY. Do you mean to say that that demonstrates that the Southern Railway's coal rates are the highest coal rates in the United States?

The CHAIRMAN. He has not said that.

Mr. RIXEY. I asked him if he means that from that exhibit?

The CHAIRMAN. Does not your exhibit speak for itself? Mr. Wright brought that exhibit in here as an extract from the report by the Interstate Commerce Commission on coal rates. He had nothing to do with the getting up of those rates and is not familiar with anything except the fact that that was the report by the Interstate Commerce Commission.

Mr. RIXEY. But he did draw conclusions, Mr. Chairman, from this exhibit.

The CHAIRMAN. What conclusions?

Mr. RIXEY. As I understood him, he endeavored to draw the conclusion that the Southern Railway's rates on coal were higher than the rates on other lines in the southern district and were higher than the average of the United States.

The CHAIRMAN. Is not that what is stated by the Interstate Commerce Commission?

Mr. RIXEY. No, sir.

The CHAIRMAN. That the average receipts are higher?

Mr. RIXEY. No, sir; it is not; and that is exactly what I want to get at. But that does not show the average rates are higher.

Mr. LYON. Of course there is no such thing as "average rate"; they ought to know that.

The CHAIRMAN. The quickest way to get at that would be to introduce evidence which would contradict what the Interstate Commerce Commission has said, if you care to do that.

Mr. RIXEY. If the chairman please, the Interstate Commerce Commission has never said that.

The CHAIRMAN. Then show that the Interstate Commerce Commission did not say it. He says it did, and you can show it does not.

Mr. LYON. There is no such thing as an "average rate."

The CHAIRMAN. I understand that; average receipts is the thing.

Mr. RIXEY. Now, then, Mr. Wright, this exhibit which you file purports to establish that the average receipts of the lines operated in southern territory are less than the average receipts of the lines operating in the eastern district, being the territory north of the Ohio and Potomac Rivers, does it not?

Mr. WRIGHT. On page 44, statement 35, selected commodities carried in carload lots during the year ending June 30, 1913, from statistics of railways of the United States, text of the twenty-sixth annual report of the Interstate Commerce Commission for the year ending June 30, 1913: Eastern district, bituminous coal, revenue $97,546,026; average receipts per ton per mile, 0.404; average length of haul, 141.61 miles; southern district revenue, $42,855,318; average receipts per ton per mile in cents, 0.399; average length of haul, 192.35 miles; western district, revenue $32,062,283; average receipts per ton per mile in cents, 0.652; average of length of haul miles, 146.05; total all districts, revenue $172,463,627; average receipts per ton per mile in cents, 0.433; average haul, 153.09 miles.

Mr. RIXEY. I ask you again, Mr. Wright—you already had that information in the record in your exhibit, except the average haul—if that does not show that the average receipts of the lines in the southern district are less than the lines in the eastern district, being the lines north of the Ohio and Potomac Rivers?

Mr. WRIGHT. Why, yes; they are less.

Mr. RIXEY. Do you mean to say that the rates—that is, the rates on coal of the lines operating in the southern district—are lower than the rates on coal operated by lines operating in the eastern district? I am talking about the rates now.

Mr. WRIGHT. I have knowledge of a great many in the southern district that are higher than in the eastern district. I do not attempt to analyze these figures, because I do not know how the Interstate Commerce Commission made them up.

Mr. RIXEY. All right, sir. To show they are the receipts per ton per mile, and you have just given the average haul. You have not given the average haul of the Southern Railway for the year which you show. You showed the receipts per ton per mile on coal of the Southern Railway as 0.595; the average haul was 116½ miles. You have undertaken to compare the rate per ton per mile of the Southern Railway with those in the eastern, southern, western, and in all districts. Is it not true that the average haul in all three districts mentioned and the average haul for the United States was greater than the average haul of the Southern Railway?

Mr. WRIGHT. I have not the figures showing the average haul of the Southern Railway. What did you say they were?

Mr. RIXEY. I gave you that as 116.5 miles.

Mr. WRIGHT. That is smaller than any figures shown on page 44 here that I can see.

Mr. RIXEY. In other words, your haul for the eastern district is 121.16 per cent the haul of the Southern Railway; your haul for the southern district is 165 per cent the average haul of the Southern Railway.

Mr. WRIGHT. Those differences are exhibited by the——

Mr. RIXEY. Wait one minute. The haul of the western district is 125.4 that of the Southern Railway, and for all districts 131.5 per cent that of the Southern Railway. Now, I ask you, the fact being that the Southern Railway's haul is very much less, its average haul is very much less than the average haul of the southern district or those other districts, if you would not expect to find that its receipts per ton per mile were higher.

Mr. WRIGHT. The Southern Railway does not handle any tidewater coal, and most of the other roads do, and that increases the length of their haul.

Mr. RIXEY. As your length of haul increases your receipts per ton per mile decrease, do they not?

Mr. WRIGHT. They might.

Mr. RIXEY. Is not that the ordinary rule? Does it not invariably follow?

Mr. WRIGHT. I would not say invariably; that is a matter of arithmetic.

Mr. RIXEY. So that if the Southern Railway has an average haul of only 116 miles you would expect it to have a higher receipt per ton per mile than a road with 192 miles average haul, would you not?

Mr. WRIGHT. Having higher rates, but shorter haul, it would naturally work out that way.

Mr. RIXEY. Suppose it had exactly the same rates and you made the average haul of the Southern Railway to be 116 miles, and the average haul of the road with which it is compared to be 192 miles, would not your receipts per ton per mile for the Southern Railway be higher?

Mr. WRIGHT. Let me see. You have got a smaller service on the Southern Railway.

Mr. RIXEY. Got a shorter haul.

Mr. WRIGHT. And the same rate?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. As you would have on the other line, with the longer service?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. Naturally, by arithmetic, it follows.

Mr. RIXEY. So that being so, is there any conclusion which you can draw from the comparison of the receipts per ton per mile?

Mr. WRIGHT. Why, yes.

Mr. RIXEY. Then how can you make a comparison when you have varying average hauls?

Mr. WRIGHT. The natural conclusion is that with the short haul necessarily you must have a very high rate to work out that high rate per ton per mile.

Mr. THOM. One minute. Let me get something here to explain to the committee. What you are referring to, Mr. Wright, is that

rates for short distances are always higher per ton per mile than rates for long distances.

Mr. WRIGHT. Ought to be. You have got the originating charge and a terminal charge in all those rates. Now, if your road's service is short, it is money in there; so your ton per mile figure, through the entire service would be——

Mr. THOM. So that you will have in all service a terminal charge and expense at the initial point, and also one at the point of destination, if the distance between them is a long distance that would naturally——

Mr. WRIGHT. Inflate the per ton per mile.

Mr. THOM (continuing). Be distributed over much more units than it would if it was a very short distance.

Mr. WRIGHT. Naturally.

Mr. RIXEY. Then, Mr. Wright, from the face of that exhibit, considering the difference in the length of the average haul, could you say whether the rates of the Southern Railway were higher or lower than the rates of other lines operating in the Southern territory?

Mr. WRIGHT. I know that the rates in the Carolinas—take the haul from the Appalachian fields to Charlotte, 300 miles, of $2.25 is high rate, and I know that the opposite rates for the same haul from Covington, Ky., is 90 cents.

Mr. RIXEY. I am asking you from the face of this exhibit—we will come to your other proposition later—considering the difference in the average haul, if you can say from that exhibit whether the rates of the Southern Railway are higher or lower than rates of other lines operating in southern territory?

Mr. WRIGHT. Other lines?

Mr. RIXEY. Operating in southern territory.

Mr. WRIGHT. Any other lines?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. Norfolk & Western, Chesapeake & Ohio, Virginian Railway.

Mr. RIXEY. You have dealt with all the other lines; now, I want to know whether you can say that the rates of the Southern Railway, from the face of that exhibit, are higher or lower than other lines operating in southern territory.

Mr. WRIGHT. The Interstate Commerce Commission report the Southern Railway receipts per ton per mile on bituminous coal for the year 1913 to be 5.95 mills.

Mr. RIXEY. I am not talking about receipts; I am talking about rates, and I am asking you if you can say from that exhibit if the rates of the Southern Railway are higher than the rates of other southern lines.

Mr. WRIGHT. The word "rates" is not on that exhibit. Now, where have I said that from the exhibit?

Mr. RIXEY. I asked you if you made that statement. I understood you had that from that exhibit.

Mr. WRIGHT. Will you show me any testimony to that effect?

Mr. RIXEY. If you say you did not say that, it is not necessary to go back.

Mr. WRIGHT. I do not remember saying it; I would like to be shown where I made that statement.

Mr. RIXEY. I will ask you now if you mean to say or you mean to testify now that the rates on the Southern Railway on coal in southern territory are higher than the rates via the Seaboard Air Line, the Atlantic Coast Line, the Louisville & Nashville, Central of Georgia, or other southern lines?

Mr. WRIGHT. It is common knowledge that when you get below the "dead line"—the Atlantic & Danville Railroad—until you reach the Savannah River and Augusta, Ga., there is a practically closed territory, in which the rates are higher than anywhere else in this section, coal and everything else.

Mr. RIXEY. Are the rates of the Southern Railway in that territory which you say is "closed territory" any higher than the rates of other lines—the Atlantic Coast Line, the Seaboard Air Line, Louisville & Nashville, or Central of Georgia?

Mr. WRIGHT. I am not in position to state specifically, but I take it that all of those lines are in the same general agreement to maintain that situation in spite of those boundaries.

Mr. RIXEY. You mean to say that there is such a rate agreement?

Mr. WRIGHT. That there is to-day?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. No; I do not.

Mr. RIXEY. Do you charge there is such an agreement?

Mr. WRIGHT. I rest on these letters which have been filed with the committee, showing the meetings and discussions.

Mr. RIXEY. Let us understand. Those letters are your only evidence for the assertion that rates to this southern territory are maintained by agreement?

Mr. WRIGHT. All that I would undertake to testify on now would be the exhibits—those letters.

Mr. RIXEY. Have you any knowledge or have you any other proof or any other evidence of the agreement to which you have referred.

Mr. WRIGHT. I have not at present.

Mr. RIXEY. Have you made a comparison of the rates and distances of the Southern Railway with the rates and distances of any other southern line.

Mr. WRIGHT. I have made the comparison of the Southern Railway rates with rates in some of its territory. If you will examinte its rates in Illinois territory for the year ending June, 1912, you will find its average per ton per mile receipts are 4.74 mills.

Mr. RIXEY. What was its average haul?

Mr. WRIGHT. Average distance haul of 1 ton, 68.76; that is from the annual report of Illinois Railway and Warehouse Commission.

Mr. RIXEY. I ask you again, have you made any comparison of the Southern Railway with the rates and distances of other southern lines—Seaboard Air Line, Atlantic Coast Line, Louisville & Nashville, and Central of Georgia, and Illinois Central?

Mr. WRIGHT. I have, with the Louisville & Nashville—no; I have not the rates per ton per mile of the Louisville & Nashville.

Mr. RIXEY. I am not talking about the per ton per mile; I asked you the coal rates.

Mr. WRIGHT. Oh, yes; I have one comparison. I believe it is covered by exhibit of the Louisville & Nashville coal rates from Benham, Ky., to Atlanta, $1.55.

Mr. RIXEY. Does the Southern Railway carry any rate from Benham?

Mr. WRIGHT. No; you asked me if I had compared with the Louisville & Nashville. I have compared that way.

Mr. RIXEY. Is that the only comparison you have made to sustain the proposition that the Southern Railway's coal rates are higher than any other southern line?

Mr. WRIGHT. The Southern Railway's coal rates in Virginia to Atlanta, $1.70, are higher than the Louisville & Nashville coal rates from Kentucky, of $1.45 and $1.55, for a longer service.

Mr. RIXEY. Is that the only comparison you have made?

Mr. WRIGHT. Thus far; yes.

Mr. RIXEY. Will you look at your Exhibit No. 2, Mr. Wright?

Mr. WRIGHT. Here is No. 2.

Mr. RIXEY. In your Exhibit No. 2 you take first the coal production of Lee County, Va., do you not?

Mr. WRIGHT. I do.

Mr. RIXEY. The year 1910 as compared with the year 1913, and you show an increase of 4.2 per cent——

Mr. LYON. Decrease.

Mr. RIXEY. Decrease of 4.2 per cent. You parallel that with the coal production in Tazewell County, 1909, as compared with 1913.

Mr. WRIGHT. That was not an intentional parallel, Mr. Rixey. Those different counties in southwest Virginia are shown, but the proximity of Tazewell County to Lee County was not an intentional thing; it belongs in the same exhibit, but you use the word "parallel." It was not parallel at that particular point for the purpose of comparison.

Mr. RIXEY. What mines are in Lee County—St. Charles and Keokee field?

Mr. WRIGHT. St. Charles, Bondurant, Dominion, Virginian Iron Coal & Coke, the Old Lee, the Virginian Lee, and one or two others.

Mr. RIXEY. Well, we can call it the St. Charles and Keokee field——

Mr. WRIGHT. One minute.

Mr. RIXEY. I beg your pardon, I thought you were through.

Mr. WRIGHT. There is one up on the divide near Keokee belonging to the Stonega people.

Mr. RIXEY. We can speak of them as St. Charles and Keokee fields, can we not?

Mr. WRIGHT. I guess so; they are in Lee County.

Mr. RIXEY. The purpose of this exhibit is to show the increase and production of Virginia & Southwestern mines as compared with Norfolk & Western mines, is it not—that is the first page of your Exhibit No. 2?

Mr. WRIGHT. Is there any testimony on the purpose of this thing?

Mr. RIXEY. I am asking you. You say the increase in production in Lee County is 4.2 per cent, and the increase in production in Tazewell County 48.3 per cent.

Mr. WRIGHT. I do.

Mr. RIXEY. And, now, is it the purpose to compare the increase in production of the Virginia & Southwestern mines with the increase in production in Tazewell County mines?

Mr. WRIGHT. They are compared here on the exhibit; that is the literal fact.

Mr. RIXEY. What county is the Stonega operation in?

Mr. WRIGHT. Wise; and this one, Keokee operation, in Lee County.

Mr. RIXEY. Why did you not show on that exhibit the Wise County production that is served by the Virginia & Southwestern Railway?

Mr. WRIGHT. That is an immense coke industry in there.

Mr. RIXEY. Coke?

Mr. WRIGHT. Coke industry, which fluctuates with statistics. I will inform you that the Keokee Co. has also some coke ovens, which I understand have been inactive for some years. There may be a very few of them running, but this is a straight coal comparison in Lee County, which would be difficult in Wise.

Mr. RIXEY. Where did you get your coal production in Lee County?

Mr. WRIGHT. I put it just as it states, page 902, part 1912, Mineral Resources of the United States for 1913.

Mr. RIXEY. And does not the very same table from which you took Lee County show the production of coal in Wise County?

Mr. WRIGHT. Yes; but it is manufactured on the ground into coke—a different market situation.

Mr. RIXEY. Does it not show proportion it consumes locally and what portion is manufactured into coke?

Mr. WRIGHT. I did not go into that; I simply ruled out Wise County because of the immense coke business there.

Mr. RIXEY. The production of coal in Wise County, as shown by this very table from which you took your Lee County exhibit, shows that Wise County in 1909 was producing 2,841,448 tons of bituminous coal; that in 1913 it was producing 5,103,559 tons of bituminous coal. Now, why did you not use those figures, Mr. Wright?

Mr. WRIGHT. Because there were two more companies, making four in that field, in addition to the coke manufacturers.

Mr. RIXEY. But, you were comparing the production of Lee County with the production of Tazewell County.

Mr. WRIGHT. I will be very glad to put that in the exhibit.

Mr. RIXEY. Why did you not put it in before?

Mr. WRIGHT. Because I did not think it could be fairly compared with the situation. They have the powerful Norfolk & Western Railroad, with very low rates to tidewater out of Wise County, to promote that business—in that quantities of that Wise County fuel go up and down the coast. Lee County is not in that position.

Mr. RIXEY. Well, if you had compared, had included, Wise County, which is served by the Virginia & Southwestern Railway, as well as by the Norfolk & Western Railway, you would have shown an increase in production from Wise and Lee Counties of practically 44 per cent as compared with the 48 per cent from Tazewell.

Mr. WRIGHT. I do not know; I would like to see the figures; but I would have also shown the figures of the Norfolk & Western Railway, which has tidewater rates, to increase that movement; Lee County has nothing of that kind.

Senator POINDEXTER. What proportion of that is shipped over the Norfolk & Western?

Mr. RIXEY. I have only the total production of Wise County, Senator, which is taken from the same source and is right under

the information which Mr. Wright used for Lee County. This gives the total production for the county, and shows an increase, while he shows that Lee County was practically at a standstill. This table shows an increase in the production of Wise County of 34 per cent. Now, I have not the Norfolk & Western shipments separated from the Appalachian shipments or the Virginia & Southwestern shipments.

Senator POINDEXTER. I thought possibly the witness might have.

Mr. WRIGHT. I did not, and if I could have gotten it I would have used that information and placed that before the committee. There was no reason why the Wise County exhibit should not have been shown, except the tremendous factor of the coke business and the Norfolk & Western tide-water movement out of Wise and the Clinchfield business all over the South.

Senator POINDEXTER. Does this increase include coke as well as coal?

Mr. RIXEY. This very table shows the coal that is loaded at the mines for shipment. The table shows the coal sold locally and local freight, it shows the coal used at the mines for steam heating and it shows coal separately made into coke at the mines, so that Mr. Wright had all those elements entirely separate, and all he had to use was the coal loaded at the mines for shipment. That is separated for him in this very table.

Mr. LYON. Was that the figure you just gave?

Mr. RIXEY. The coal that was loaded in Wise County.

Senator POINDEXTER. Does the Norfolk & Western reach Lee County also?

Mr. RIXEY. No, sir.

Mr. WRIGHT. Neither does the Carolina, Clinchfield & Ohio, which serves all those mines in Wise County.

Senator POINDEXTER. Did you have the increase in Lee County stated separately from Wise County?

Mr. RIXEY. Yes. It showed the decrease in Lee County of 4.2 per cent, and in Wise County, in which the Virginia & Southwestern operations are located, as well as the Norfolk & Western, an increase of 34.3 per cent.

Mr. WRIGHT. I will be very glad to make an exhibit showing Wise County, with the explanation that four carriers are involved and that the Wise county production can go even to foreign countries in addition to tidewater.

Mr. LYON. I think the testimony has already explained that Lee County is on the Virginia & Southwestern and Wise County is reached by other carriers.

Mr. RIXEY. The Virginia & Southwestern is in Wise County. Do you mean to say or intimate that the increase in production in Wise County was due to the shipments over the Norfolk & Western and not the shipments over the Virginia & Southwestern or the C., C. & O.?

Mr. WRIGHT. No; I do not mean to say anything on that subject.

Mr. RIXEY. You used the coal production for Lee County, Va., and you have undertaken to show a decrease in production of 4.2 per cent. Do you not know that for the calendar year 1910, as compared with 1913, there was an increase in the shipment of coal from the Black Mountain district?

Mr. WRIGHT. Some small increase; yes.

Mr. RIXEY. Did it not increase from 134,921 tons in 1910 to 286,929 tons in 1913?

Mr. WRIGHT. I am surprised.

Mr. RIXEY. Take the Virginia & Southwestern. Do you know that the shipments via the Virginia & Southwestern from Lee County alone increased from 1910, as compared with 1913?

Mr. WRIGHT. No; I do not know that. If I had a little more time I would have made the inquiry of the Virginia & Southwestern.

The CHAIRMAN. Mr. Rixey, you are on Exhibit No. 2?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. As to Lee County?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. Do you claim there is any inaccuracy in the table there?

Mr. RIXEY. I claim the witness has failed to show the production in Wise County.

The CHAIRMAN. I understand that. Is there any criticism of the total in Lee County?

Mr. RIXEY. No, sir; that is taken from 1910 and 1913 figures.

The CHAIRMAN. He says that he got it from the table. If that table is incorrect, you can show that.

Mr. RIXEY. I am not asking if the table is inaccurate, but the witness has taken those figures which he has shown concretely from the Department of the Interior report.

The CHAIRMAN. He said that was coal production of Lee County?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. Is there any dispute about that?

Mr. RIXEY. No, sir. I am asking him, notwithstanding that fact that he shows a decrease in production, if he does not know that the shipments from Black Mountain increased and the shipments from the Virginia & Southwestern mines increased—that is, shipments loaded at the mines?

The CHAIRMAN. Do you know whether they increased or not?

Mr. WRIGHT. I think there was some small increase in several of those years from the Black Mountain field strictly.

The CHAIRMAN. Have you that information?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. That would not contradict anything he said. If that further elaborates the proposition, you can offer that.

Mr. RIXEY. I understand that, but if he had that knowledge, I think he ought to show it.

The CHAIRMAN. If you have the information in good shape, what we want to do is to get it in as quickly as we can and authoritatively. If Mr. Wright does not know, put it in yourself.

Mr. RIXEY. I have no objection to putting it in. The only point of my questioning was whether or not he knew it when he filed this exhibit.

Mr. WRIGHT. Has the Virginia & Southwestern ever published separate figures?

Mr. RIXEY. Did you not say you had investigated the exhibits in the coal-rate investigation?

Mr. WRIGHT. What coal-rate investigation?

Mr. RIXEY. The coal-rate investigation conducted by the Interstate Commerce Commission.

Mr. WRIGHT. I saw exhibits put in by railroads showing the loss in business to the Georgia and Florida country. I did not see any other exhibits.

Mr. RIXEY. That is all you gathered from that exhibit?

Mr. WRIGHT. That is all I gathered from that exhibit.

Mr. RIXEY. In view of the fact that Mr. Wright has shown the production for the calendar years 1910 and 1913 from Lee County, I would like for the record to show that the shipments via the Virginia & Southwestern from Virginia & Southwestern mines in 1910 were 369,235; that is, from Virginia & Southwestern mines in Lee County. That is for the calendar year 1910. In 1913 the shipments from Virginia & Southwestern mines in Lee County alone were 547,648 tons, an increase of 178,413 tons.

Senator POINDEXTER. What authority do you base that statement upon?

Mr. RIXEY. On information taken from the table of the statistics of the Virginia & Southwestern Railway, which we will later offer. If you take the St. Charles district alone for the calendar year 1910, the shipments were 134,921 tons; for the year 1913, 286,929 tons.

Mr. LYON. From what territory?

Mr. RIXEY. Solely from the St. Charles district of the Black Mountain field.

Mr. DOUGLAS. Will you give 1911 and 1912?

Mr. RIXEY. I only have 1913 and 1910 to compare with those other figures Mr. Wright gave.

Mr. WRIGHT. I would like to know if those figures include any of the new mines opened in that period?

Mr. RIXEY. They show shipments handled via the Virginia & Southwestern. Whether they came from new mines or old ones I can not tell you. On page 2 of your Exhibit 2, you compare the coal production of Russell County, Va., for 1910 with the year 1913, and you show in Russell County an increase of 91.4 per cent. Then, below that you show shipments of coal via the Southern Railway, and that the shipments via the Southern Railway have only increased 9.3 per cent.

Senator POINDEXTER. You mean by the entire system?

The CHAIRMAN. From Virginia.

Senator POINDEXTER. From the whole State of Virginia?

Mr. RIXEY. Yes, sir; Southern Railway shipments from Virginia mines.

Senator POINDEXTER. But you are comparing it with the shipments from Russell County?

Mr. RIXEY. Yes, sir. The witness has taken Russell County for the year 1910 as compared with 1913 and undertakes to show that there was an increase in tonnage from Russell County of 91.4 per cent. Then he parallels with that the shipment of Southern Railway coal from Virginia for the year 1910 as compared with 1913, and undertakes to show that the Southern Railway's tonnage only increased 9.3 per cent.

Senator POINDEXTER. Is not that rather a matter of argument?

Mr. RIXEY. I want to get some of the facts with reference to this exhibit in the record. That is my only purpose. In showing your production, Mr. Wright, for 1913, you show 1,512,356 tons in Russell County. That includes the tonnage originated by the C., C. & O.

Mr. WRIGHT. Very large tonnage.

Mr. RIXEY. As well as by the Norfolk & Western?

Mr. WRIGHT. Yes.

Mr. RIXEY. Is not a very large portion of that tonnage C. C. & O. tonnage?

Mr. WRIGHT. Undoubtedly.

Mr. RIXEY. When was the C. C. & O. opened up for traffic?

Mr. WRIGHT. 1909 it was running through. There will be no change in the carriage conditions during that period.

Mr. RIXEY. So that from that same territory from which the Southern Railway and the Virginia & Southwestern operated there was opened in 1909 a new road which developed an enormous tonnage of coal, did it not?

Mr. WRIGHT. Handled and moved in 1909. That will not affect the comparison.

Mr. RIXEY. Do you know how much coal the C. C. & O. handled in 1909?

Mr. WRIGHT. They had a great big increase, but the Norfolk & Western shows the real increase because they reduced the rate to tidewater.

Mr. RIXEY. I find here that in 1910 the Clinchfield tonnage was 807,034 tons.

Mr. WRIGHT. All from Russell County?

Mr. RIXEY. No, sir.

Mr. WRIGHT. How much was from Russell County?

Mr. RIXEY. I am giving the total tonnage of the Clinchfield.

Mr. WRIGHT. That is, from several mines?

Mr. RIXEY. In 1914 it was 1,760,440, and in 1913 the Clinchfield tonnage was 1,688,811.

Mr. WRIGHT. What is the application to this exhibit?

Mr. RIXEY. Does not the bulk of the tonnage originated by the Clinchfield road come from Russell County?

Mr. WRIGHT. They get coal from Herricane, on the east, next from Dante, and from some small mines around St. Paul, Pine, and that country, and they get coal from their Cranes Nest mine, at Tom Creek.

Senator POINDEXTER. What market do they have?

Mr. RIXEY. The Clinchfield road goes to Carolina and the Southeast.

Senator POINDEXTER. Is not this a local market?

Mr. RIXEY. Exactly the same market and exactly the same rate that the Black Mountain and Appalachia operators have.

Mr. LYON. They turn it over to the Southern. They connect with the Southern at Spartanburg.

Senator POINDEXTER. That is the reason I asked. There seems to be a short road and Spartanburg is the terminus. You say they have developed a large coal business. I am inquiring where they had that business, so far as the shipments to markets were concerned?

Mr. RIXEY. They shipped to the Carolinas and to the Southeast, actly the same place as the Black Mountain, Appalachia, and onega operators ship, and on exactly the same basis of rates. oes not the bulk of that C., C. & O. tonnage come from Russell ounty?

Mr. WRIGHT. I do not know that. Probably more than 50 per nt comes from Russell County. They get a lot out of Wise, how-er.

Mr. RIXEY. Now, having the fact that the C., C. & O., a new line, opened, which developed a tonnage of 800,000 tons, approximately, 1910, which tonnage had increased in 1914 to practically 1,800,000 ns, and there being no increase in the market of consumption, do u think it remarkable that the shipments of the Southern Railway, ich came in competition with this new operation on the C., C. & O., ould not have increased?

Mr. LYON. Where do you yet your proposition that there was no crease in the market of consumption?

Mr. RIXEY. Let him answer the question.

Mr. WRIGHT. Do you quote the entire coal tonnage of the Carolina, inchfield & Ohio Railroad?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. Originating where?

Mr. RIXEY. I got it out of the same book you did.

Mr. WRIGHT. Do you know how much came to them at Speers erry via the V. & S. W.? Do you know how much came to them a the Norfolk & Western trackage right at Norton?

Mr. RIXEY. Yes, sir. This book which you used shows the tonnage iginated by the C., C. & O. as a line of origin, and the figures which have just quoted to you are figures taken from the annual report the C., C. & O. Railroad. This book which you quote shows the nnage originated by the C., C. & O. Railway as a line of origin.

Mr. WRIGHT. Have I quoted the C., C. & O.'s tonnage out of that ok?

Mr. RIXEY. No, sir; that is the point.

Mr. WRIGHT. That is exactly why I did not quote it.

The CHAIRMAN. It occurs to me that that is a matter you can put The witness has not testified with reference to that, and you can t that in yourself.

Mr. RIXEY. I simply want to make this point clear.

The CHAIRMAN. The witness has said that the increase in those ar years—the tonnage carried by the Southern Railway—was 9.3 r cent. Your point is that a new road came in there which would ce some of the traffic?

Mr. RIXEY. Yes; and he had the figures from the very same table om which he took his information.

The CHAIRMAN. You want to know why he did not include the nchfield figures when he put in those of the Southern?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. Now ask him that question.

Mr. RIXEY. I asked him that—why he did not include it.

Mr. WRIGHT. I will give you the reason why I did not use these hern figures. Because it had a lot of conflicting factors in there made it unfair of comparison.

Mr. RIXEY. What conflicting factors?

Mr. WRIGHT. The Clinchfield during the period named got coal of of the Virginia & Southwestern from Wise and Lee Counties both. The Southern Railway coal shipments from Virginia, I assume, were confined to the Southern Railway receipts at Bluffs Gap over the Virginia & Southwestern road. There may be an error in that, but I submit it is proper to keep out the Clinchfield under the circumstances.

Mr. RIXEY. You say this information was as to the C. C. & O. and as to the Southern Railway. Is that right?

Mr. WRIGHT. Look at the situation. Do you know any other gateway for the Southern Railway to receive Virginia coal from its own line at Bulls Gap originated by the Southern Railway in Virginia?

Mr. RIXEY. Where did you get shipments via the Southern Railway in Virginia?

Mr. WRIGHT. In the railway shipments in the front part of the book.

The CHAIRMAN. It says, "Taken from Mineral Resources of the United States."

Mr. RIXEY. That shows you the shipments originated by the Southern Railway and the Virginia & Southwestern.

Mr. WRIGHT. If you have 1913, I can probably show you.

Mr. RIXEY. From the book entitled "The Production of Coal in 1913," on page 776, I find the Southern Railway in Virginia given as 1,259,651 tons. I used that factor.

The CHAIRMAN. Those are shipments via the Southern Railway.

Mr. WRIGHT. I saw those figures for the Clinchfield and considered them. I intended to use it for a while and then decided that it held this situation, that it contained tonnage from Lee County, Wise County, Russell County, reaching it through Speers Ferry, through Norton, and from its own mine in Russell County. There is no reason why if the committee, or even the Southern Railway's attorneys, desire me to get up an exhibit containing those figures, I can not do it. I was simply trying to keep the figures relevant.

Mr. RIXEY. Do you not know that the table in the book shows that the tonnage originated by the C., C. & O. is not tonnage coming to it from another line, but tonnage originated by it as an originating carrier?

Mr. WRIGHT. I could not check that proposition.

Mr. RIXEY. Why not? It gives you the tonnage that the C., C. & O. originated as an originating carrier and puts it right in the same table and yet you do not make any mention of that and do not use it.

Mr. WRIGHT. Do you mean to say the enormous Stonega tonnage that the C. C. & O. originates through its arrangement with the Interstate Railroad, all coming from Wise County, should be included in the statistics of coal production of Russell County?

Mr. RIXEY. No, sir.

Mr. WRIGHT. I will be glad to get up a combination exhibit showing Wise and Russell Counties combined.

Mr. RIXEY. Do you not know that this book gives you the tonnage originated by C., C. & O. as an originating line?

The CHAIRMAN. I think he said that, and the fact exists that he did not put it in. He has also given his reasons for not putting it in. If it is sought to make any point out of that, make it.

Mr. RIXEY. The reason he said he did not put it in was because this ok did not give it.

The CHAIRMAN. No; I do not think he said that. He said he did t think it would be a fair comparison because there were other ele- ents entering into the tonnage of the Clinchfield that would make unfair.

Mr. RIXEY. He said it would be unfair because it included the irginia & Southwestern tonnage. It does not include the Virginia Southwestern. It includes tonnage originated by the C., C. & O.

Senator POINDEXTER. I understood him to say because it included nnage of Wise and Russell Counties both?

Mr. RIXEY. This shows the tonnage originated by the C., C. & O. a line of origin and not tonnage from some other line. The , C. & O. does not go into Lee County. The witness says the bulk the C., C. & O. tonnage comes from Russell County.

Senator POINDEXTER. You say the C., C. & O. does not go into Lee ounty?

Mr. RIXEY. No, sir; not as an originating line.

Senator POINDEXTER. But it goes into Russell and Wise Counties?

Mr. WRIGHT. Mr. Chairman, I submit an unbiased statement from e Geological Survey will doubtless give us the figures. I had no sire or intention in presenting these figures to give them to the sadvantage of the carriers. With the Government publication, hind which I had no desire to go, I separated such figures as I uld, that would have a bearing on this subject. The Russell ounty production is handled by the C., C. & O. Railway and by the orfolk & Western Railway. A great quantity of Russell County al goes to New England to the Boston & Maine Railroad.

The CHAIRMAN. What roads handle the Tazewell County coal?

Mr. WRIGHT. That is all Norfolk & Western.

The CHAIRMAN. Does any other road except the Southern handle e production of Lee County?

Mr. WRIGHT. The Southern and L. & N.

Mr. LYON. And the L. & N. handles very little of it?

Mr. WRIGHT. Yes; because of the situation. I shall be very glad reassemble figures and make any exhibits they want.

The CHAIRMAN. I do not think that is necessary. The figures are vailable to either side, or to the committee. We would be glad to ave Mr. Rixey point out any unfairness.

Mr. RIXEY. That is what I was trying to do.

The CHAIRMAN. I think it can be done more rapidly if you do it dependent of cross-examination.

Mr. RIXEY. I have to ask some questions, because I do not know hat he has included in these figures.

The CHAIRMAN. Well, you have found that out?

Mr. RIXEY. Yes, sir; I have, so far. Mr. Wright, will you tell me hether your figures showing shipments of the Southern Railway al from Virginia include shipments originated by the Interstate ailroad and delivered to the Virginia & Southwestern?

Mr. WRIGHT. I used the figures I have just shown you there as uthern Railway.

Mr. RIXEY. This table which you have used shows the Interstate ailroad separately. You have not included the shipments by the

Interstate Railroad and delivered to the Virginia & Southwestern the Southern?

Mr. WRIGHT. I have not dealt with the Interstate Railroad at I supposed those figures included Wise County interstate shipme and Lee County interstate shipments.

Mr. RIXEY. If this table which you used, from page 773 and f lowing of this report, shows the shipments originated by the In state Railroad separately, then they are not included in your sh ments shown via the Southern Railway on that exhibit, are they?

Mr. WRIGHT. I do not know. Let me get the Virginia & Sou western report and possibly I can throw some light on this. thought I had the Virginia & Southwestern report of tonnage coal which would have something to do with the showing of t item you question.

Mr. RIXEY. All I want is, you have undertaken to show the to shipments handled by the Southern Railway in Virginia and y have taken them from a table in this Government report to wh you have referred?

Mr. WRIGHT. I have.

Mr. RIXEY. If that very same table shows the shipments orig nated by the Interstate Railroad separately, that is where the Inte state originated these shipments, then you have not given the Sou ern Railway credit for all the tonnage it was entitled to, have you

Mr. WRIGHT. I do not know. The Interstate Railroad delivers t three corporations. I do not know whether the Southern Railway figures include any Interstate or not. I took it to include all the co in Virginia that came to you at Bulls Gap.

Mr. RIXEY. So that if the Interstate Railroad's tonnage is state separately in this report, then your statement is wrong?

Mr. WRIGHT. No; I do not admit that at all. I want to know wh the figure of that Southern Railway movement from Virginia repre sents, and I shall go to the Geological Survey in order to find ou how it analyzes it.

The CHAIRMAN. His proposition is this: If that book shows th Interstate shipments in addition to the Southern shipments, and separates them, and you only included the Southern shipments, necessarily they would not have included Interstate shipments in the book, which Mr. Rixey is reading from, which separates the Southern shipments from Interstate shipments. Then your figures would not contain the Interstate shipments if you checked them to Southern shipments?

Mr. WRIGHT. That is true. That would have the effect of increas ing these figures making a more favorable showing to the Souther Railway.

The CHAIRMAN. Now, the question is whether it does or not.

Mr. RIXEY. I want to call your attention to the fact that on pa 776 of the book entitled "The Production of Coal in 1913," the to nage of the Southern Railway from Virginia, which the witness h used, is shown, to wit, 1,259,651. Then on the very next page, 777, that same report, the Interstate Railroad is shown and the tonna originated by it from Virginia was 933,290 tons.

The CHAIRMAN. Do you claim, then, that that 900,000 tons shoul be added to the Southern Railway coal shipment from Virginia?

Mr. RIXEY. We say that the bulk of it should. We have not separated that. But the Southern Railway and the Virginian and the Virginia & Southwestern do handle the bulk of shipments originated by the Interstate Railroad.

Mr. LYON. And if that is applied for one year, it must be applied for all years, and all this statement attempts to show is that the coal that originates on the Virginia & Southwestern tracks has not changed very much in the last two or three years. If you include in that statement the Interstate shipment, it might or might not change this relation. Is that correct, Mr. Wright?

Mr. WRIGHT. You are all correct up to the addition of the total Interstate shipments. The Interstate Railroad ships coal to tidewater over the Norfolk & Western Railway, over the Clinchfield, over the Virginia & Southwestern, and over the L. & N.

Mr. RIXEY. You have stated that, and I and the committee understand that. But I say, if those figures only include the Virginia & Southwestern originating coal, if you add to that such coal originated by the Interstate Railroad, it might or might not change its relationship. That is evidently a fact from the figures.

Mr. WRIGHT. The railroad has in its possession the exact figures.

Mr. RIXEY. Will you look at your Exhibit No. 3. You have compared first the tonnage from Tennessee and Kentucky mines via the Southern Railway and via the L. & N. for the years 1909, 1912, and 1913, have you not?

Mr. WRIGHT. I have.

Mr. RIXEY. Do those figures for the Southern Railway include fuel as well as commercial coal?

Mr. WRIGHT. I do not know.

Mr. RIXEY. Do the figures for the L. & N. include fuel as well as commercial coal?

Mr. WRIGHT. I do not know.

Mr. RIXEY. Who prepared that exhibit?

Mr. WRIGHT. I prepared this myself, taking those figures from the joint exhibit of the Southern Railway, L. & N., and other carriers in the I. C. C. Docket No. 6324. I noticed that they omitted the years 1910 and 1911, and I was compelled to do so also.

Mr. RIXEY. Do you not know that those exhibits show that the figures which you have used for the Southern Railway from Tennessee and Kentucky include only commercial coal?

Mr. WRIGHT. I do not.

Mr. RIXEY. And that the figures which you use for the L. & N. Railroad include both fuel and commercial coal?

Mr. WRIGHT. I do not.

The CHAIRMAN. Do you claim that is so?

Mr. RIXEY. Yes.

Mr. WRIGHT. I have no knowledge of that.

Mr. RIXEY. Probably Mr. Wright was misled by the fact that when the L. & N. originally filed its exhibit that it showed that tonnage as commercial coal.

The CHAIRMAN. Have you there the commercial coal the L. & N. shipped for those years?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. Suppose you give us that right here.

Mr. RIXEY. I think I can give it to you in a few minutes.

Mr. LYON. I understand there is no objection. I understand th the point of his question is that in the Southern Railway figur for none of those years does fuel coal appear, and for the L. & N only for this year it does appear?

The CHAIRMAN. Yes. I thought while we were on the subject, i we had the commercial coal carried by the Louisville & Nashville, i might be well to put it in.

Mr. RIXEY. You want the commercial coal handled by the L. & N from Tennessee and Kentucky to Georgia and Florida. For 1909 i was 822,309 tons; for 1912, 966,718 tons; 1913, 964,338 tons. Nov you have there the Southern Railway's commercial shipments an the Louisville & Nashville's commercial shipments. I can give yo the Southern Railway fuel and the Louisville & Nashville fuel.

Mr. LYON. I would like to have the fuel, if you do not object.

The CHAIRMAN. All right. You can subtract the commercial fro the total, and it will give you the fuel coal for the Louisville & Nas ville. Now give us, if you desire, the fuel coal for the Southern.

Mr. RIXEY. This is commercial coal to the Southern Railway ar to the Louisville & Nashville, both of these figures; but it is ult mately used as fuel coal. In other words, they are hauling som body else's fuel coal. It is separated in those exhibits.

Mr. LYON. Does the committee understand, then, that that is co mercial coal?

Mr. RIXEY. I can give you, if you would rather have it, the tot of the commercial and fuel coal.

The CHAIRMAN. Give us the total for the Southern.

Mr. RIXEY. The total coal handled by the Southern Railway fr Tennessee and Kentucky mines to points in Georgia and Florida i 1909 was 372,833 tons; in 1912, 534,843 tons; in 1913, 449,183 tons

Mr. THOM. If you are going to have it for the purpose of maki a comparison, it would be much more convenient to read the otl figures right there than to go back.

The CHAIRMAN. We can look back to Exhibit No. 3.

Mr. THOM. For the Louisville & Nashville figures?

The CHAIRMAN. Yes. We can look back to that tonnage. We discussing that table No. 3 now.

Mr. RIXEY. In this exhibit and in your testimony you said t on August 15, 1910, the rates from Virginia & Southwestern m to Georgia and Florida—that is, the differential over Coal Cree was increased 10 cents, did you not?

Mr. WRIGHT. There were some Southern Railway advances fective August 15, 1910, according to the exhibit.

Mr. RIXEY. You referred to the change following the Andys Ri case, did you not?

Mr. WRIGHT. I did.

Mr. RIXEY. Is it true that while the differential of the Virg mines over Coal Creek to Atlanta territory was decreased 10 ce that at the same time the differential of the Virginia mines Coal Creek to Carolina territory was reduced 15 cents?

Mr. WRIGHT. To all points in Carolina territory, namely, 15 ce

Mr. RIXEY. To the bulk of Carolina territory it was reduced cents?

Mr. WRIGHT. No; I do not know that. I am not putting in shipments to Georgia and Florida and to Carolina in this comparison.

Mr. RIXEY. You say that you do not know that simultaneously with the advance of the differential to Atlanta that the differential of Virginia mines over Coal Creek mines to the bulk of Carolina territory was reduced 15 cents?

Mr. WRIGHT. There were some reductions. I do not know that 15 cents was the uniform reduction; some of it was 10 cents, some might have been more than 15. I do know that our rate went up to Atlanta. We have had as low a rate as $1.50, and it is now $1.70, and we have been wiped out in that market.

Mr. RIXEY. Your rate, when the Andys Ridge case arose, to Atlanta, was $1.60, was it not?

Mr. WRIGHT. I do not recall what it was at that time. We have had a rate of one dollar and a half.

Mr. RIXEY. When the Andys Ridge case arose your rate to Atlanta was $1.60, and that rate applied from the whole of the Virginia group from St. Charles clear over to Toms Creek?

Mr. WRIGHT. The Virginia & Southwestern made the same rate.

Mr. RIXEY. One dollar and sixty cents to Atlanta. Following the Andys Ridge case, did not the commission say that the differential of Virginia over Coal Creek should be increased from 25 to 35 cents?

Mr. WRIGHT. It did.

Senator POINDEXTER. Where is Coal Creek?

Mr. RIXEY. That is 3 miles from Knoxville. At the time the Andys Ridge case arose the differential of the Virginia mines over Coal Creek was 25 cents to Carolina territory?

Mr. WRIGHT. I do not recall just what it was.

Mr. RIXEY. Well, it was. When the carriers complied with the commission's order in the Andys Ridge case and advanced the rate from Appalachia and the Virginia group to Atlanta from $1.60 to $1.70, so as to make a differential of 35 cents over Coal Creek, did they not reduce the differential of Virginia mines over Coal Creek to the bulk of the Carolina territory?

Mr. WRIGHT. The situation was this, Mr. Rixey: The southwest Virginia fields were very much nearer North Carolina via the Clinchfield road than Coal Creek was—at least, to many points—and it was impossible to sustain any longer the proposition that our rates should be higher than Coal Creek; therefore they made some reduction—I can not tell you offhand whether it was on an average of 15 cents or what it was—but they did make reductions in that differential, but still ignored the distance situation by keeping southwest Virginia 10 cents higher than the Tennessee mines for the distance to many points.

Mr. RIXEY. Then to Carolina territory your differential was reduced, following the Andy's Ridge case, 15 cents, was it?

Mr. WRIGHT. To some points in Carolina territory it must have been reduced 15 cents. I can not tell you offhand what those figures are.

Mr. RIXEY. Did not the differential then become, to the bulk of Carolina territory, Virginia mines over Coal Creek, 10 cents?

Mr. WRIGHT. That is, on Virginia mines?

Senator POINDEXTER. Is this cross-examination or direct evidence?

Mr. RIXEY. Cross-examination, sir.

Senator POINDEXTER. I do not exactly get the purport of it in cross-examination. You developed the fact that he did not introduce that evidence as to the differential to Carolina points. You are asking these questions, and to a good many he replies that he does not know anything about them. That does not seem to make much progress. The witness says he does not know whether it was 15 cents or what it was. I suppose you have a witness who can tell you definitely?

Mr. RIXEY. I have.

The CHAIRMAN. Is not the decision in the Andys Ridge case printed in the record?

Mr. RIXEY. It is, but that does not show the differentials to Carolina territory. What I am trying to get is that in this Exhibit No. 3, the witness showed the condition of the tonnage and movements to Georgia and Florida, following the increase of the rate from Virginia mines to Atlanta from $1.60 to $1.70, which was made in compliance with the Commission's order. I am trying to develop the fact from him that at the same time that increase was made effective to the Southeast, that his differential to Carolina territory was decreased 15 cents, and to ask him why in this exhibit he did not show the tonnage to Carolina territory as well as to Georgia and Florida, if he wanted to make a fair statement of the situation following the Andys Ridge case.

The CHAIRMAN. Is Carolina territory supplied by Kentucky or Tennessee mines?

Mr. RIXEY. They ship to Carolina territory; yes, sir.

Mr. LYON. The object of that exhibit was to show the effect of an increase of rates affecting the tons shipped. The fact is that the Atlanta rate was raised 10 cents against the competitive fields in Tennessee, and the exhibit shows the effect upon the movement of the tonnage into that territory. It might be that if there was a reduction of 15 cents to Carolina territory—which I am not qualified to say—or was not, it may show that the tonnage increased from that field.

Senator POINDEXTER. In other words, a division of territory between the two roads?

Senator POINDEXTER. I suppose that would have been in the mind of the commission, or whoever it was that made this readjustment of rates, to make a division of territory based, to some extent, upon the distance the coal was to be hauled, but it seems to me the facts ought to be well known in regard to it, whatever they are, and then you can make your deductions from that.

Mr. RIXEY. I was trying to develop about their rate, and I asked him if he knew, when he undertook to show this situation, the effect of the Andys Ridge case, he did not show the situation to the Carolina territory, which was changed at the same time the Atlanta differential was changed.

Mr. LYON. As counsel, I had those exhibits prepared.

Mr. RIXEY. Then, why did you not do it?

Mr. LYON. I can not explain it. I simply show you that when the railroads, or when the commission takes hold of two territories and changes the relation of rates, you can immediately see the reflection of it in the tonnage of that commodity. When the Norfolk & Western voluntarily reduced its rates in Toms Creek territory 10 cents be-

low what the commission ordered we have an exhibit to show the effect of that reduction. But why we do not show that they got some reduction to Chicago or to some other points, why we do not show the same relation, I do not think is necessary.

Mr. RIXEY. Why do you not show that at the same time your Atlanta rate was increased your differential to the Carolina territory was reduced 15 cents, and if you were trying to show the effect of an increase or reduction in the movement, why did you not show the movement to Carolina territory?

Senator POINDEXTER. What do you mean by saying the differential was in favor of the Virginia mines or in favor of the Coal Creek mines?

Mr. RIXEY. The situation was this: The differential to the Carolina territory was 25 cents Virginia over Coal Creek; that is, 25 cents was against the Virginia fixed by the commission in the Black Mountain case. They said in the Black Mountain case that the rates from Coal Creek as compared with Apalachia should be on the basis of a maximum differential of 25 cents; that is, the rates from Apalachia should be not more than 25 cents higher than the rates from Coal Creek.

The CHAIRMAN. To where?

Mr. RIXEY. To the Carolina territory—all this territory through Morristown reached through Morristown east, clear down to Charleston and Augusta.

Senator POINDEXTER. Is that a shorter distance than from Coal Creek?

Mr. RIXEY. No, sir. The shorter distance is Coal Creek.

Senator POINDEXTER. To the Carolina territory?

Mr. RIXEY. To the Carolina territory; and they fixed in the Black Mountain case a differential of 25 cents in favor of Coal Creek as against the Virginia mines. Now, when the Andys Ridge case came along, the commission said that, considering the distance from Coal Creek and from the Virginia mines to the territory reached through the Knoxville gateway, which would be Atlanta and the territory south, that the differential of the Virginia mines over Coal Creek should be 35 cents.

Senator POINDEXTER. Let me ask if you will pardon an interruption. That differential was over what line?

Mr. RIXEY. Over the Southern Railway. The Southern Railway served the Coal Creek fields and it also serves through the Virginia Southwestern, the Virginia fields, and the commission did fix the differential between them, and in the Andys Ridge case the commission said that the Virginia mines should be 35 cents higher than the Coal Creek to Atlanta and the southeast.

Senator POINDEXTER. What road into the Carolinas did the coal from the Virginia mines take over the Southern Railway?

Mr. RIXEY. It came around through Morristown and on through Asheville.

Senator POINDEXTER. On through Knoxville and then back to the Virginia & Carolina?

Mr. RIXEY. You mean the Carolina territory?

Senator POINDEXTER. No; into Carolina territory.

Mr. RIXEY. It came back to Morristown, then out to Asheville and Spartanburg. That is the Carolina territory.

Mr. THOM. May I say one word in explanation of that?

Senator POINDEXTER. We will be glad to hear you.

Mr. THOM. To the territory reached by the Southern line in Carolinas, the route from Morristown to the southeast is exac the same whether the coal originates at Coal Creek or in the Ap lachian territory, so the question arises how the coal is to be got to that common point, Morristown, from those two producing te tories. It is a very much shorter distance from Coal Creek to M ristown than it is from the Appalachian district to Morristown, a therefore, the commission said that when it passed through that M ristown gateway the Southern should charge 25 cents more whe comes from Appalachia than when it comes from Coal Creek. I do not reach Atlanta through the Morristown gateway. I reach Atlanta through the Knoxville gateway, so that is common point. The rate from Knoxville to Atlanta is the sa on all coal, whether it comes from Coal Creek or the Appalach district. Then the thing to measure the difference in the serv is the service from Coal Creek to Knoxville as compared with service from the Appalachian fields to Knoxville, and there the co mission said, that distance being considered and that grea service, when it passed through the Knoxville gateway there sho be a differential of 35 cents.

Senator POINDEXTER. What prevents the coal from moving o the Virginia & Southwestern by way of Bristol and Elizabethton i North Carolina?

Mr. RIXEY. They have no road that way, sir.

Senator POINDEXTER. There is as far as Elizabethton.

Mr. RIXEY. And there it stops. It is a narrow-gauge road.

Senator POINDEXTER. Then from Elizabethton to Johnson C what road is that?

Mr. RIXEY. That is the C., C. & O.

Mr. LYON. The practical way to bring it is via Speers Ferry, wl it strikes the C., C. & O., but that would take it off the rails of Southern Railway, so they take it around this route here [i cating on the map]. Of course, the Southern Railway would agree to that, because they want to haul the traffic as far as they

Mr. RIXEY. Following the commission's decision, the differer to Atlanta was made 35 cents. The differential to Carolina terri through Morristown—that is, the differential of the Virginia m over Coal Creek—was reduced 15 cents and made 10 cents; so the differential of Virginia to-day from Coal Creek to Caro territory, reached through Morristown, is 10 cents.

Mr. LYON. Although the distance is the same, I believe Mr. Tl said, from Apalachia to the gateway at Morristown as from (Creek?

Mr. THOM. No; I did not. I must have been very obscure in statement. I said that on account of the difference in distance tl was a differential.

Mr. RIXEY. Mr. Chairman, in that connection I would like to into the record this data which we have compiled. Mr. Wright shown a movement to Georgia and Florida. I want to show a m ment not only to Georgia and Florida, but also to the Carolina combined movement to the Carolinas and to Georgia and Flor I can give you that in a few words. I can make it shorter by gi

each increase in amount and the total increase: Virginia, 1913 compared with 1909, to Georgia and Florida, commercial coal increased 23,502 tons, or 10.9 per cent. Virginia, 1913 compared with 1909, to Georgia and Florida, commercial and fuel increased 79,668 tons, or 37.2 per cent. When I say Virginia I mean the Virginia mines.

The CHAIRMAN. Mines in Virginia?

Mr. RIXEY. Mines in Virginia served by the Virginia & Southwestern; not in Kentucky and Tennessee. I want to give you the Virginia movement to Carolina; that is, from the Virginia mines to Carolina territory—the increase in the movement in 1913 compared with 1909. I will just combine the commercial and fuel, because it is all commercial coal to those lines.

The movement from Virginia in 1913, compared with 1909, to North and South Carolina increased 1,487,773 tons, or 146.4 per cent.

Now, if we take the total movement from Virginia mines to Georgia, Florida, and the Carolinas we find that the Virginia mines in 1913, compared with 1909, show an increase of 1,567,441 tons, or 128.1 per cent. If you compare that with the movement from Tennessee and Kentucky, 1913 compared with 1909, to all destinations, you will find that the commercial and fuel from Tennessee and Kentucky increased only 146,077 tons, or 6.9 per cent.

That data is taken from the exhibit which Mr. Wright said he took his from.

Mr. LYON. Those are Tennessee and Kentucky shipments; to what destination?

Mr. RIXEY. To all destinations—Georgia, Florida, and the Carolinas.

Mr. WRIGHT. I have never seen that exhibit before.

Mr. RIXEY. I said this exhibit was compiled from the same exhibits from which you took your information.

Mr. WRIGHT. It is not.

Mr. RIXEY. I mean to say, Mr. Wright—I do not know what exhibit you had in your hand when you prepared your information. I mean to say that the exhibits which the carriers filed in the coal-rates cases, from which you claimed to have taken this information, show the movement to North and South Carolina, as well as to Georgia and Florida.

Mr. WRIGHT. The collection of exhibits?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. That is a different thing.

Mr. RIXEY. Now, Mr. Wright, is it not true that from the West Virginia mines located on the Norfolk & Western; West Virginia mines located on the Cheasapeake & Ohio; and from Virginia mines located on the Virginian Railway, to all south Atlantic ports, there are routes and rates in effect independent of the Southern Railway? In other words, can not the mines in West Virginia located on the Norfolk & Western, the Chesapeake & Ohio, and the Virginian, reach all south Atlantic ports without passing over Southern Railway lines at all?

Mr. WRIGHT. Certainly, most of them; yes.

Mr. RIXEY. They have a railroad connection with the C. & O., the Virginian, or the Norfolk & Western to the Virginia cities and thence the Coast Line and the Seaboard Air Line beyond?

Mr. WRIGHT. Those are standard routes.

Mr. RIXEY. So that all those mines can reach those ports with any participation by the Southern Railway or without calling u the Southern Railway at all?

Mr. WRIGHT. Most of the ports; probably all of them.

Mr. RIXEY. Now, is it not true that from the Clinchfield m there is a route to all South Atlantic ports entirely independen the Southern Railway? In other words, can not coal originatin the Clinchfield group move over the Clinchfield road, the C., C. & to Bostic and connect with the Seaboard Air Line?

Mr. WRIGHT. It can; and go over to Hamlet and thence to ' mington.

Mr. RIXEY. And coal is handled that way and there are rat effect that way, are there not?

Mr. WRIGHT. They are in effect. I do not know what the m ment is. The gateway is open.

Mr. RIXEY. So that, as far as Wilmington is concerned, Clinch coal can reach Wilmington without any participation whateve the Southern Railway?

Mr. WRIGHT. It can.

Mr. RIXEY. Now, is not that true with reference to Charles Can not Clinchfield coal move from the Clinchfield mines to Cha ton without touching the rails of the Southern Railway?

Mr. WRIGHT. You can go from Spartanburg down to Au over the C. & W. C., and then over to Yemassee between Charl and Savannah, and back north to Charleston.

Mr. RIXEY. It would move to Spartanburg over the Clinch thence by the C. & W. C. and Atlantic Coast Line to Charleston

Mr. WRIGHT. It is possible for it to move around that way; y

Mr. RIXEY. Can not coal move from the Clinchfield mine Savannah and Jacksonville without touching the rails of the S ern Railway?

Mr. WRIGHT. Yes; it can go over the C. & W. C. and Seab through Fairfax, or via Yemassee and the Coast Line.

Senator JOHNSON. Does it pass that way, over those roads?

Mr. RIXEY. I understand, sir, that the rates are in effect over roads.

Mr. WRIGHT. I do not testify to any movements, Senator.

Mr. LYON. Do you mean there are rails that way?

Mr. RIXEY. Not only rails but rates in effect.

Mr. WRIGHT. What the movement is by those other lines I d know.

Mr. LYON. Do you know, Mr. Wright, that there are rates way?

Mr. WRIGHT. I believe there are rates in effect on those ro yes, sir.

Mr. RIXEY. So that the Southern Railway is not in a positi far as its lines are concerned to control the movement of coal the West Virginia fields, or from the Virginia fields, to S Atlantic ports?

Mr. WRIGHT. From the West Virginia fields?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. It certainly is in a position to control the move from southwest Virginia fields on its own rails.

Mr. RIXEY. Yes; but I am talking about the Virginia fields off its rails.

Mr. WRIGHT. I do not know anything about that. It ought not have the right to control coal on other roads.

Mr. RIXEY. You referred to or undertook to compare the rates from the Virginia fields, served by the V. & S. W. and the Southern Railway, and the C., C. & O. fields, served by the Clinchfield, to South Atlantic ports with the rates charged by the Baltimore & Ohio, Pennsylvania, and Western Maryland, to Philadelphia and Baltimore, did you not?

Mr. WRIGHT. I testified to some rates; yes, sir.

Mr. RIXEY. It is your contention, Mr. Wright, that the Southern Railway from its Virginia mines should be compelled to operate on the same level of rates to South Atlantic ports; that is, the same rates as are applied by the Baltimore & Ohio Railroad, the Pennsylvania Railroad from mines on their lines, to Baltimore, Philadelphia, and New York?

Mr. WRIGHT. That question is a little difficult to answer. The situation to-day is that coal originating on those roads is supplying important cities on the South Atlantic coast——

Mr. RIXEY. Coal originating on which roads?

Mr. WRIGHT. The B. & O. and Pennsylvania, of which you speak, and the Norfolk & Western and the C. & O.—where the Southern Railway is supposedly a feeding line. The Southern Railway has a great deal of coal on its own lines, and it enters those cities on the coast, and the coal consumed in those cities is neither hauled by the Southern Railway nor mined from the mines on it. It comes down the coast, a sailing distance of 800 or 900 miles, in addition to the long inland rail haul from the northern fields.

Mr. RIXEY. Is that your answer?

Mr. WRIGHT. Yes.

Mr. RIXEY. Now, will you answer me, Mr. Wright, whether it is your contention—let us be fair with each other and see whether or not you contend that the Southern Railway from mines in Virginia should apply the same rates to South Atlantic ports as are operated by the B. & O. from the Cumberland district, for example, to Baltimore.

Mr. WRIGHT. Are you familiar with that Cumberland situation?

The CHAIRMAN. I think that is a question for us to draw our own conclusions on anyhow.

Mr. WRIGHT. I would like to answer the question.

The CHAIRMAN. Never mind.

Mr. RIXEY. I understood you to say, Mr. Wright, that the South Atlantic ports were supplied with coal drawn through the eastern ports and moved by water from the eastern ports to South Atlantic ports? Is that your statement?

Mr. WRIGHT. To a large extent.

Mr. RIXEY. Have you made any investigation of that situation?

Mr. WRIGHT. I am trying to now. We are not ready to report to the committee.

Mr. LYON. Did you ask any of the railroads?

Mr. WRIGHT. Yes. The Southern Railway has not replied to Senator Tillman's letter.

Mr. RIXEY. When did you ask? Is that among these letters to which Mr. Thom has referred?

Mr. WRIGHT. It may be. It was along in the last of November. We have responses from the presidents of the Atlantic Coast Line and the Seaboard, stating that they are getting up the data and will forward it as soon as possible.

Mr. RIXEY. You called on the Southern Railway for that information?

Mr. WRIGHT. There was a letter written to the Southern Railway Co. asking for that information.

Mr. RIXEY. That is the first I have heard of it, sir. I do not know whether Mr. Thom knows about it or not.

The CHAIRMAN. Never mind; let us go on.

Mr. RIXEY. What is the rate from Virginia mines to Charleston, $2.05, is it not?

Mr. WRIGHT. $2.05 per net ton.

Mr. RIXEY. What is the rate from the Pocahontas field to Charleston? It is $2.15 per net ton, is it not?

Mr. WRIGHT. I think so. You quoted that for me the other day.

Mr. RIXEY. Now, I understand you to say that the rate from the Virginia mines to Charleston of $2.05 is so high that it allows coal from the Pennsylvania or the B. & O. fields to move through Baltimore or Philadelphia by water to Charleston in preference to a movement from the Virginia mines to Charleston?

Mr. WRIGHT. My answer was not with regard to Charleston; it was to South Atlantic ports generally. I made no such statement regarding Charleston alone; I am waiting for the statistics on Charleston.

Mr. RIXEY. Have you any statistics on Charleston?

Mr. WRIGHT. We have some partial statistics; they are not totalled yet. We can not do so until we hear from them.

Mr. RIXEY. Do you mean the committee to understand your testimony is that Charleston is supplied by coal drawn from Baltimore?

Mr. WRIGHT. Coal brought in there by water.

Mr. RIXEY. From Baltimore.

Mr. WRIGHT. No; I do not say from Baltimore.

Mr. RIXEY. From where?

Mr. WRIGHT. You suggested Baltimore with your proposition of the B. & O. rates.

Mr. RIXEY. I ask you, then, what port it comes from—the coal brought into Charleston by water?

Mr. WRIGHT. Well, there is some from Philadelphia. I think we have the sailings; we have not tabulated it yet.

Mr. LYON. Some comes from Philadelphia, you say?

Mr. WRIGHT. Yes, Philadelphia; all those ports. I am not prepared to report on that yet.

Mr. LYON. That is an answer to the question.

Mr. RIXEY. Then you can not sell coal in Charleston on a $2.05 rate and compete with that water-borne coal?

Mr. WRIGHT. No; I did not say that.

Mr. RIXEY. Is it your proposition that the Virginia mines can not sell coal on a $2.05 rate and compete with the water-borne coal?

Mr. WRIGHT. No. My proposition is that the water-borne coal, except anthracite, should not enter into that competition at all, and

ould not if the railroads undertook to haul the coal in there in any rious way.

Mr. RIXEY. New, let us see. You take Charleston and point out ow we could keep them from doing it. How could the Virginia & outhwestern and the Southern Railway from its Virginia mines revent the movement of coal from Baltimore & Ohio or Pennsylnia mines through the northern ports to Charleston?

Mr. WRIGHT. I do not know.

Mr. RIXEY. And yet you say we ought to do it?

Mr. WRIGHT. All carriers can do that if they want to.

Mr. RIXEY. Well, how would they do it, Mr. Wright? Do you ean we ought to reduce the $2.05 rate to Charleston proper?

Mr. WRIGHT. Well, take the recent opening that is in the report ere—the navy yard. Moving in there at $1.45 a gross ton, it is anged to $1.80 a net ton, which is $2.01 a gross ton. A change like at is very apt to force the navy yard to get water-borne coal.

Mr. RIXEY. Don't you know that that $1.45 never applied to the avy yard?

Mr. WRIGHT. I know that it was applied to the navy yard, beause the exhibits and the correspondence show that the navy yard joyed that rate?

Mr. RIXEY. The navy yard at Charleston?

Mr. WRIGHT. I do not know where they got it, whether it was on wharf or in the navy yard or aboard ship.

Mr. RIXEY. If it was on coal going beyond the harbor, the Navy as entitled to it.

Mr. WRIGHT. Why was it raised?

Mr. RIXEY. The rate of $1.40 on coal going beyond the harbor as not been raised.

Mr. WRIGHT. What was raised?

Mr. RIXEY. They simply put in a rate just as they have at Norfolk, st as they have at Baltimore, just as they have at Philadelphia, plying on coal delivered to vessels in the harbor and not destined yond the harbor.

Mr. WRIGHT. It would seem fair to the navy yard at Charleston at they should get a rate of $1.50 on their coal from say the southest Virginia district or the Tennessee district, since the navy yard Norfolk gets that rate from the West Virginia district.

Mr. RIXEY. Now, let us see. What rate do you say the Navy has Norfolk from the West Virginia district? One dollar and fifty nts a net ton?

Mr. WRIGHT. I understand that; yes.

Mr. RIXEY. So that according to your testimony they have extly the same rate at Norfolk that anybody else has at Norfolk—.50 for track delivery?

Mr. WRIGHT. I can not check those figures without the tariffs. think that is the situation, though.

Mr. RIXEY. Therefore you say there ought to be a rate on coal for e Navy of $1.50 to Charleston? Is that your proposition?

Mr. WRIGHT. I think it would be a fair proposition to give the avy that figure at Charleston.

Mr. RIXEY. Then, you would have on coal for the Navy at Charlesn a rate lower than the rate to Charleston proper?

Mr. WRIGHT. You would.

Mr. RIXEY. Whereas at Norfolk your rate on coal for the Navy, according to your statement, is exactly the same?

Mr. WRIGHT. The rate is $1.50 to the public at Norfolk.

Mr. RIXEY. And it is $1.50 to the Navy?

Mr. WRIGHT. Offhand, I should say so. I have not checked the figures.

Mr. RIXEY. Mr. Wright, don't you know that at Norfolk they have three rates——

The CHAIRMAN. It is so easy to put that in from the figures. If he makes a mistake, you would not want to draw a conclusion from that?

Mr. RIXEY. Certainly not.

Mr. WRIGHT. To demonstrate my ignorance of those details I will admit it.

Mr. RIXEY. The situation, Mr. Chairman, is just this: To Norfolk you have three rates from the Norfolk & Western, C. & O., and Virginian lines; $1.50 per net ton for track delivery. That is the rate for Norfolk proper. Anybody living in Norfolk and receiving coal from track delivery gets that rate. On coal delivered on vessels within the harbor they have a rate of $1.50 per gross ton. The freight is by the net ton, but all the coal delivered in the harbor pays on the gross ton, and that reduced to a net ton would make $1.25, so that your rate for harbor delivery at Norfolk is 25 cents less than your rate for track delivery to Norfolk proper. And, now, the third rate to Norfolk is a rate of $1.40, applying on coal going beyond the Capes, outside of Hampton Roads, and that is per gross ton.

Mr. LYON. You say that $1.50 a gross ton is $1.25 per net ton?

Mr. RIXEY. I should have said that $1.40 per gross ton is $1.25 per net ton.

Senator POINDEXTER. Does that rate on coal going beyond the Capes apply to coastwise traffic as well as foreign traffic?

Mr. RIXEY. Yes, sir.

Senator POINDEXTER. So that it would apply to coal going to Charleston, for instance?

Mr. RIXEY. Yes, sir; coal going beyond the Capes. At Charleston you have three rates just as at Norfolk.

Senator POINDEXTER. That is $1.25 on the gross ton?

Mr. RIXEY. No, sir; $1.40 per gross ton.

Senator POINDEXTER. Or $1.25 per net ton?

Mr. RIXEY. That is right, sir.

Senator POINDEXTER. And the local rate to Charleston is what?

Mr. RIXEY. The local rate from the Virginia mines is $2.05, sir.

Mr. LYON. That compares with the $1.50 local to Norfolk.

Senator POINDEXTER. I do not know that you have any available information as to what it costs by the joint rail and water route from the Virginia mines to Charleston?

Mr. RIXEY. The schooner rate to those South Atlantic ports is $1; so that your $1.40 rate to Norfolk plus the schooner rate makes $2.4[illegible] per gross ton, not including the dumping and timing charges at Norfolk, which have to be added.

I have stated the condition at Norfolk. At Charleston you have three rates—$2.05 to the port proper, $1.80 on coal delivered in the

harbor, and $1.40 on coal going beyond the harbor. That is just as at Norfolk.

Mr. THOM. All those rates are by the gross ton?

Mr. RIXEY. No, sir; the $2.05 rate is a net-ton rate. The $1.80 in the harbor is a net-ton rate. The $1.40 rate beyond the harbor is a gross ton.

Senator POINDEXTER. What is the object in complicating the matter by having rates on net tons and gross tons?

Mr. RIXEY. I do not know why they do that, sir. They usually have these rates on transshipment, and I presume it is due to something in connection with handling the coal via the vessel.

Mr. GREEN. All the water rates are on a gross-ton basis. The inland rates to the North Atlantic ports, for example, are on a gross-ton basis. The rate from West Virginia to Norfolk is made in competition with the rates from the Baltimore & Ohio and Pennsylvania fields on a gross-ton basis when it goes beyond the ports; that is, to a common destination, coastwise or foreign, and is made to match up with the practice of the water lines. Sailing vessels measure their rates on a gross-ton basis.

Senator POINDEXTER. Why do not the railroads do that?

Mr. GREEN. The practice in making domestic rates in this country is to place them on the net-ton basis. It is only where they go beyond, where they have to meet this water competition, that they adopt the gross-ton basis.

Mr. LYON. Probably the committee would like to know what you mean by this rate—I would call it a "bunker" rate. They refer to the rate of $1.50 per gross ton at Norfolk. What consumer or ship can get that rate and use it?

Mr. GREEN. The $1.40?

Mr. LYON. No, sir; the $1.50.

Mr. GREEN. The $1.50 is for use within the harbor or for vessels plying within the Capes. For instance, the lines operating between Baltimore and Norfolk would pay $1.50. A steamship taking cargo coal and going beyond the Capes would get the $1.40 rate.

Mr. LYON. Then when coal goes beyond the Capes in the bunkers of a vessel it is treated as coastwise altogether?

Mr. GREEN. I understand so.

The CHAIRMAN. We will take an adjournment until 2.30 o'clock to-morrow afternoon.

(Thereupon the committee, at 5.15 o'clock p. m., adjourned to meet to-morrow, Wednesday, December 16, 1914, at 2.30 o'clock p. m.)

WEDNESDAY, DECEMBER 16, 1914.

SUBCOMMITTEE ON NAVAL AFFAIRS,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 2.30 o'clock p. m., pursuant to adjournment.

Present: Senators Nathan P. Bryan (chairman), Charles F. Johnson, and Miles Poindexter.

Mr. LYON. I have before me a statement prepared by B. L. Dulaney, covering a couple of pages, in answer to the suggestion

made in his direct examination concerning the Black Mountain Corporation, which I would like to introduce now into the record.

Mr. THOM. I would like to have that put in by Mr. Dulaney himself, for I would like to cross-examine him on it.

Mr. DOUGLAS. If counsel wants to cross-examine Mr. Dulaney, all right, but Mr. Dulaney is sick and unable to be here.

Mr. THOM. I want to cross-examine Mr. Dulaney when the exhibit is put in.

Mr. DOUGLAS. We want to introduce it now, and also have Mr. Dulaney subject to cross-examination, as counsel sees fit. We want to put this in. Mr. Dulaney agreed to put it in, but we had overlooked the fact.

Mr. LYON. It is a brief statement prepared by Mr. Dulaney as to the financial condition of the Black Mountain Corporation.

Mr. THOM. I do not think this is at all responsive to the request for the information.

Mr. LYON. We think it is responsive, although I have not read it. I think this is not a court where Mr. Dulaney or anybody else has any rights. Mr. Dulaney has been on the stand, he has furnished certain information relating to this corporation of which he is president, and he presents this matter and asks that the committee receive it. It seems to me this is the appropriate time to receive it, and Mr. Thom ought to cross-examine Mr. Dulaney on that or any other matter at some future time, and that is the privilege which the committee can grant him.

Mr. THOM. I have no objection to the matter being put into the record now, but I make the objection to it that it is not responsive and I shall want to cross-examine Mr. Dulaney on it.

The CHAIRMAN. It is in response, as I understand, to an inquiry while Mr. Dulaney was on the stand?

Mr. LYON. Yes.

The CHAIRMAN. And he said he would prepare the statement, and you offer it now in response?

Mr. LYON. Yes. I ask that it be incorporated into the record at this place.

The CHAIRMAN. The committee can have Mr. Dulaney appear at any time you want him, Mr. Thom.

Mr. LYON. The statement I wish to put into the record is as follows:

B. L. DULANEY'S STATEMENT AS TO INVESTMENTS IN BLACK MOUNTAIN COAL FIELD, MADE PURSUANT TO REQUEST ON PAGE 158 OF RECORD.

The Black Mountain Corporation is the owner of 30,000 to 33,000 acres of coal land, located in Lee County, Va., and Harlan County, Ky.

In acquiring this ownership this corporation has issued and disposed of its 5 per cent bonds, amounting to $1,000,000. A portion of the lands were acquired subject to a bond issue of $980,000, making the total of the two bond issues $1,980,000.

It has also issued, in the acquisition of its property, 20,000 shares of its preferred stock and the same number of shares of its common stock, each of the par value of $100 a share; total, $4,000,000. Total bonds and stock, $5,980,000.

As to the cost of the coal-mining plants and other plants in this coal field, I make the following estimate, and believe the figures given are in no case in

ess of the cost of the plants named, and in some cases my estimates may be h less than the actual cost:

he central power plant	$200,000
he central coal-washing plant	35,000
he plant of the Virginia-Lee Co	150,000
he plants of the United Colliers Co	250,000
he plant of the Imperial mines	200,000
he plant of the Darby Coal & Coke Co	200,000
he plant of the Monarch Coal & Coke Co	125,000
he plants of Black Mountain Mining Co	100,000
Total improvements	1,260,000

o put together and develop the body of land owned by the Black Mountain poration (organized in 1909) has occupied 20 to 25 years, and the legal k and work by the engineers and surveyors has been enormous. The sepa- tracts of land and, therefore, the deeds of transfer and sale, probably ed 2,000 items, and were acquired in a large measure by different indi- ials and different companies at different periods during the twenty-odd rs mentioned. It would be an interminable job, practically impossible, to rtain just what each tract cost, counting the interest, the losses in reducing n surface measurement to horizontal measurement, the expense for legal engineering services, etc. Besides, some of the tracts of land were pur- sed as mountain land before railroads reached that section, and after the roads were built some of the lands were on or near the lines while others e more remote. So that the problem of equalization of values was one that to be solved and was solved by the different parties interested. And as culmination we have now the Black Mountain Corporation with all the elopments in connection therewith, as shown by the report of Maj. R. H. ott, Birmingham, Ala., of April 20, 1914, which we submit herewith. This rt covers not only the property of the Black Mountain Corporation, but all mining operations in the field, as well as the central power plant and the ral coal-washing plant, etc.

ith the central power plant and the central coal-washing plant, and the lity of the coal and mining conditions as shown by Maj. Elliott's report, it be seen that the local conditions are equal to any coal field of the section. coal available to the present railroads, as shown by the report, is about 000,000 tons.

Yours, truly,

B. L. DULANEY.

BIRMINGHAM, ALA., *April 20, 1914.*

he BOARD OF DIRECTORS OF THE BLACK MOUNTAIN CORPORATION,
Bristol, Va.

EAR SIRS: I have just completed a personal inspection and examination of property known as the "Black Mountain coal field," having been engaged o so by your general manager, and now beg to submit my report and obser- ons, as follows:

made a report upon this property in 1904 for the Louisville & Nashville road Co. before it built into your property. I notice that at that time I luded my report with the statement that "All of these lands are coal bearing show more of the seams than are to be found at any other point in the Vir- coal field. The coals are of various qualities, from good coking to first- domestic and steam. The location as to present market is as good as any field of that region," and "it has as high a tonnage per acre as any irginia," and I am gratified to find my report amply borne out by the de- ment made since that time.

cording to my instructions, this report covers particularly—

) The improvements and developments made since my report of 1904 and coal seams that have been opened at one or more places for actual coal ations; and

) Generally the whole proposition as it is to-day, together with some sug- ons, etc.

Since my report of 1904 your acreage has been increased and is now i thirty thousand (30,000) acres, so I am informed. In the matter of rou up for practical mining purposes, your lands have been selected and acq with rare good judgment and contain little or no barren acreage, as is th with so many of the large tracts in the mountain country.

Estimate of available coal tonnage from coal seams on your property have one coal operation or more, including No. 7 and No. 12, which ha operations on them:

Seam.	Thickness.	Area, total acres.	Tonnage total.	Av
	Feet.			
No. 1	36	26,400	128,700,000	9
No. 3	42	25,600	145,600,000	10
No. 5	42	24,000	136,500,000	12
No. 6	56	2,000	13,000,000	11
No. 7	46	14,700	91,566,300	8
No. 10	63	10,600	90,431,250	9
No. 12	48	2,500	16,250,000	1
Total			622,047,550	52

Taking these workable seams as numbered on the Virginia face of Black Mountain, they will be considered separately, beginning with No. lowest in altitude:

Analysis of seam No. 1.

[Cross section, 32 to 48 inches. Length of outcrop, 4 miles.]

Moisture
Volatile matter
Fixed carbon
Ash
Sulphur

Sample from which this analysis was made was taken from bottom be opening on Reeds Creek, where seam is larger and cleaner than on St Creek.

Analysis of seam No. 3.

[Cross section, 36 to 60 inches. Length of outcrop, 6 miles.]

	1
Moisture	1.9
Volatile matter	38.7
Fixed carbon	56.2
Ash	3.0
Sulphur	.6

The variation in the two analyses is due to the presence of and inclu the second analysis of an inferior matter where the seam is large. This sion is in some places a hard parting which can be separated from the coal. This is a fair quality of steam coal, but can not under present con enter the mrket in competition with the other coals of the region.

Analysis of seam No. 5.

[Cross section, 36 to 48 inches. Length of outcrop, 22 miles.]

Moisture
Volatile matter
Fixed carbon
Ash
Sulphur

This seam has been examined and cut and analyzed and worked at ver points, and the average of ash and sulphur content is lower than giver

However, as the mined product will contain more ash gathered from roof slate than is shown from sample cuttings, the analysis given is considered fair. This coal is probably as pure or free from ash and sulphur as any coal from any other field. Its great excellence of quality for domestic use gives it entrance into any market. It is one of the seams present on the Black Mountain property that will insure the success of mining operations on a large scale.

Analysis of seam No. 6.

[Cross section, 52 to 64 inches. Length of outcrop, 2 miles.]

Moisture	3.07
Volatile matter	35.02
Fixed carbon	54.00
Ash	7.01
Sulphur	.95

The area of seam No. 6 is for the greater portion occupied by the lease of the Virginia Iron, Coal & Coke Co., which has successfully operated it for several years. A portion of its area will also be occupied by the lease of United Collieries (Inc.).

Analysis of seam No. 7.

Cross section, slate roof; top coal, 36 inches; parting, 5 inches; bottom coal, 14 inches. Length of outcrop 10 miles.]

	Top.	Bottom.
Moisture	2.29	2.60
Volatile matter	32.97	33.20
Fixed carbon	58.70	56.08
Ash	6.05	8.12
Sulphur	.66	.69

This gives an average of ash for the whole seam of 6.63 per cent, which constitutes a coal of valuable properties for all purposes.

Analysis of seam No. 10.

[Cross sections: East side of property—Slate roof, coal 4 inches; slate, 4 inches; coal, 13 inches; slate, 9 inches; coal, 62 inches. West side—Coal, 26 inches; slate, 9 inches; coal, 62 inches. Length of outcrop, 10 miles.]

	Top coal, 26 inches.	Bottom coal, 62 inches.
Moisture	3.36	3.07
Volatile matter	31.64	35.10
Fixed carbon	56.10	54.06
Ash	8.87	7.77
Sulphur	.81	1.00

This is the highest sulphur—1 per cent—ever found in this coal, the average being eight-tenths of 1 per cent. This is a standard large seam coal and is hard and a coking coal. There is an exposure of outcrop on the Virginia face of Little Black Mountain of 10 miles.

Analysis seam No. 12.

[Cross section, 48 inches. Length of outcrop, 3 miles.]

Moisture	2.83
Volatile matter	38.05
Fixed carbon	56.30
Ash	2.82
Sulphur	.84

Seams No. 5 and No. 12 are of exceptionally high-grade domestic coals, very low in ash and sulphur, and much too low in ash to make a strong coke; but if the slack produced from these seams is combined with proper proportion with

the slack of No. 7 and No. 10, the result will be strong coke. This will i a high profit from slack, which now goes at a low price.

Seams No. 7 and No. 10 are standard coals which can be mined and ha entirely by machinery and at the lowest cost. Under present conditio mining machinery these coals can be put on the cars at 75 cents per ton, I believe, at even lower rate. Seam No. 5 is about good tipple height the valleys, with a most extensive outcrop which can be reached at very points. Seams Nos. 7, 10, and 12 must be brought down the mountainsi inclines. Modern invention has reduced the incline to a very simple oper and the inclines here required will be of only moderate length and From a general examination of the Virginia front of the mountain, the about seven points available for inclines, which would evenly divide t miles of workable face shown on seams Nos. 7 and 10, and at least two of inclines would be available for seam No. 12. The very great and ext outcrop of all the four seams—Nos. 5, 7, 10, and 12—offers a most advanta condition for cheap and rapid development with a very short underground giving easy access to one-half of the coal of these seams, equal to 177,8 tons. Much more coal will come from these exits, but the quantity named be on the immediate front of 45 miles of outcrop, counting the frontage several seams.

This is the approximate coal outcrop on the Virginia or southeast f Little Black Mountain, and has railroad transportation over the Louisv Nashville and the Southern Railroads. The railroad connection wit coals on the Kentucky side is not yet built, but the Louisville & Nashville on Clover Fork Creek are near by and the extension can be easily mad most coal fields access to the seams along extended lines do not occur a coal has to be brought out at two or three points of exit by long, underg haulage, and this retards development and increases cost. On the corpo lands all seams except No. 1 will be free of this complication, and all pre frontage capable of rapid development and short underground haul for to come; and some of the seams are so situated that the complication can arise.

Your coal has freight rates which enable it to move into the general m of Ohio, Indiana, Michigan, Illinois, and the Northwest, as well as to the east. Recently the Interstate Commerce Commission has approved, an Southern Railway has published, the standard tidewater rate of $1.40 pe ton to Charleston, S. C., which should very shortly afford profitable outlet large quantity of coal.

Railroad connections are already in the field and it will only be necess provide the short spurs needed for each point of delivery. The present is propitious for new lines of enterprise—in 1913 the wheat, corn, and crops (some of them) were record making in value and have been absorbe coal industry exceeded all previous yearly outputs by many millions o and has been consumed. Now, somebody (either purchaser or seller) hol profits, and the result must be investment and increased consumption. country can not hold idle the profits of 1914 in addition to those of th year. Business will respond to the demands which always follow the money previously hoarded. The revised banking system, making the c comparatively safe from panics, will also have a beneficial effect on ever of business, and increased consumption of coal will be a large item.

CENTRAL POWER PLANT.

The central electric power plant, built by the owners of the Black Mo Corporation, is located at Pocket, a station on the Southern and Louisv Nashville Railroads. The minimum continuous power supply is 1,000 kil and is sufficient for all present needs of the district. This power pla been sold to Samuel Insull, of Chicago, Ill., who, by contract, agrees to e the plant at any time an increase of electricity is required. The Black tain Corporation give rights of way for transmission lines and the powe pany will extend lines to any coal operation on corporation lands in Vi and to any operation within 1 mile of any transmission line in Harlan C Ky. If in Harlan County, Ky., a coal mine operation is distant from a mission line more than 1 mile, the extension over and above 1 mile is on basis.

Before the introduction of central power plants into mining districts coal mine owned and operated separate electric stations, and this co

ted at the operations on the Black Mountain property. Experience, how-r, has demonstrated the economy of the central power station and in the ous mining regions where electricity from central stations has become ilable it has been almost universally adopted, the saving in cost to the e operator at schedule kilowatt rates being frequently as much as 50 per t; that is, the cost of power furnished by the central plant is only about half that of the electric plant owned and operated at the mine. The cen-l plant in the Black Mountain field is admirable in every way and is under control of a company that will insure its management by trained men. the economies incident to this system of electric supply will be in the reach all mines operated on the Black Mountain property.

CENTRAL WASHING PLANT.

The central coal-washing plant is located near the central electric-power nt at Pocket station, on Powells River, and has a plentiful supply of water. ng on the main line of the railroad which is operated by the Southern and Louisville & Nashville Railroads, it is accessible to all mines operated on various branches and spur lines. This concentration of the coal washing one plant accessible to all mines relieves the coal operators of the greater t of running separate washers at each mine. The economy of this arrange-nt in coal washing is almost as great as the savings made by the central ctric plant.

The central washing plant has at present jig power sufficient to clean 750 tons r 10-hour day, and all other working parts, such as conveyors, pumps, etc., are pable of handling 1.500 tons per day. This provision is with the expectation doubling the jig power when needed. This is an economic design and good.

The material to be cleaned by the coal washer is that product of the coal ne known as slack, and consists of the fine particles of coal thrown out by coal-tting machines and picks; and with this slack is mixed more or less slate, ich is derived from roof and floor dirt and parting. The coal of this region clean and easily separated from foreign matter, and the well-designed Mont-mery washer which has been built at Pocket will be effective and will give e best results in quality and economy.

Operations on the property under leasehold.

e Virginia-Lee Co.:	
Acres under lease	1,475
Output capacity	106,000
Miners' houses (56) rooms	199
lack Mountain Mining Co. (No. 1):	
Acres under lease	950
Output capacity	67,000
Houses (38) rooms	129
lack Mountain Mining Co. (No. 2):	
Acres under lease	663
Output capacity	24,000
Houses (28) rooms	89
nited Collieries, Incorporated (Dominion):	
Acres under lease	702
Output capacity	79,000
Houses (86) rooms	309
nited Collieries, Incorporated (Bondurant):	
Acres under lease	460
Output capacity	58,000
Houses (23) rooms	77
nited Collieries, Incorporated (Benedict): Acres under lease	1,133
e Old Virginia Coal Co. (Monarch):	
Acres under lease	627
Output capacity	78,000
Houses (55) rooms	162
rginia Iron, Coal & Coke Co. (Imperial):	
Acres under lease	1,132
Output capacity	103,000

These eight leases cover 7,142 acres in area, but no one lease covers all seams. The Black Mountain Mining Co. No. 2, the Bondurant and Monarch leases, gregating 1,750 acres, apply only to seam No. 5.

The Black Mountain Mining Co. No. 1, 950 acres, can work all seam No. 5 to No. 7, inclusive.

The United Collieries Dominion lease, 702 acres, can work all seam No. 5 to No. 9, inclusive.

Virginia-Lee, 1,475 acres, can work all seams from No. 8 to No. 12, in

Virginia Iron, Coal & Coke Co. and United Collieries (Inc.) (Benedict acres. can work all seams from No. 5 to No. 12, inclusive.

The capacity of output of these mines has been given in previous list; of output of the last two months show variations, both in increase and d but the capacities, which are based upon actual returns for period of o hold good.

All of these operations will be greatly assisted in increasing their out in decreasing costs by the concentration of the electric-power supply and washing plant. Such operations at each mine multiply employees, t valuable room at the tipples, and require much handling of cars an sidings; with central station power and washing plants all this is entire away with and attention and management centered upon winning an These results of an increased output at a minimum cost have been a in the mining fields where the centralizing system has been adopted, a operations on the Black Mountain lands will experience a like benefit.

The proposed development of the United Collieries Co. on seams Nos. 7 is well selected and has for its openings a large area of large coal. Fo ings on seams of the cross section of 7 and 10 an output of from 1,000 t tons per day is easy of achievement, and whatever is done or is not chargeable to the work, not to the coal. These seams are everywhere acc ventilation is simple, natural drainage in easy reach, and coal quality and production should be at a very low cost.

SUGGESTIONS FOR NEW PLANTS WITH 1,000,000 TONS YEARLY OUTPUT

Inasmuch as the United Collieries Co. is one of your large leasehol new and just starting, I make the following general suggestion for 1, tons of coal:

Three openings on big seam, each to produce per year 240,000 tons coal	
This will furnish 10 per cent of slack	
Steam coal, 50 per cent	
Lump coal, 40 per cent	
Three openings on No. 5 seam, each to produce per year 93,333 tons	
This will furnish 15 per cent slack	
Steam coal, 50 per cent	
Lump coal, 35 per cent	

Sales:

Steam coal, big seam	tons	360,000	
Steam coal, No. 5 seam	do	140,000	
		500,000, at $1	
Lump coal, big seam	do	288,000, at $1.50	
Lump coal, No. 5 seam	do	98,000, at $2	
Slack, big seam	tons	72,000	
Slack, No. 5 seam	do	42,000	
Loss in washing	tons		
Net slack	do		

[1] A coal.

ost of coking 114,000 tons, 5 cents washing		$5,700
Net slack, 102,600 tons, will make 57.000 tons coke.		
oking 57,000 tons coke, per ton, 50 cents		28,500
		34,200
7,000 tons coke sold, at $3		[1] 171,000
alue coal sold (see A)		[2] 1,128,000
Sales total		1,299,000
ost mining 1,000,000 tons coal	$750,000	
ost coking	34,200	
		[3] 784,200
		514,800
nterest on bonds	100,000	
nterest development	100,000	
		200,000
Sinking fund and divisions		314,800

CONCLUSION.

All new operations and developments should be under one control, and there is plenty of room for them outside of the present leases. The general plan should be based on an accurate survey and well-considered design, including coking plant (the power and washing plants being already provided), and all the plants should be standardized and work together. This will all be on the side of economy and regularity of output. One of the first steps should be a selling department or an agency which should be operating and offering coal for sale as fast as the output could be insured. Large contracts and regular working and output should be the aim. If you provide ample means, nature has offered the opportunity on these lands for complete and enduring success.

Yours, truly,

R. H. ELLIOTT.

Mr. RIXEY. Mr. Wright, when we adjourned on yesterday, we were dealing with the question of rates to Charleston and the movement to Charleston. You have from the Virginia fields a rate to Charleston Harbor of $2.05 per net ton, a rate for delivery on vessels in the harbor, not going outside the capes, of $1.80 per net ton, and a rate on vessels going beyond, or transshipment, a rate of $1.40 per gross ton.

The CHAIRMAN. State what you mean by "the capes."

Mr. RIXEY. Beyond Charleston Harbor.

Senator JOHNSON. How much is that per net ton?

Mr. RIXEY. $1.40 gross ton, or $1.25 per net ton. Do you see anything in that adjustment to criticize, Mr. Wright?

Mr. WRIGHT. The $1.40 per gross ton for coastwise movement, when the pier is finished, will be all that that carrier, or any other, in my judgment, can do for the coal fields. That is stretching the rate over 440 miles short mileage between Appalachia and Charleston. I do not think that the rate of $1.80 per net ton, with the $2.01 per gross ton, gives the coal field of the port of Charleston what has been given to Norfolk.

Mr. RIXEY. Is that your only criticism of that adjustment?

Mr. WRIGHT. Not entirely. Take the Navy use referred to. That is not commercial. The coal the Navy buys and consumes does not compete with anybody on earth. The proposition is clean cut for that reason, and if the naval base at Charleston is to be made an

[1] B coke. [2] A coal. [3] Mining and coking.

attractive one to the Navy Department, the same conditions sho obtain there on their coal as at Norfolk.

Mr. RIXEY. Let me understand. The navy yard at Norfolk, y realize, pays the Norfolk proper rate, does it not?

Mr. WRIGHT. It does.

Mr. RIXEY. The navy yard at Charleston would pay the Char ton proper rate, would it not?

The CHAIRMAN. Would the Navy pay $2.05 or $1.80?

Mr. RIXEY. The navy yard for track delivery would pay the $2 rate, but if that coal is not for track delivery, but is for delivery a vessel in the harbor, it will be $1.80.

The CHAIRMAN. I wanted that in the record.

Senator JOHNSON. You say when delivered on board vessel rate is $1.80?

Mr. RIXEY. Yes, sir.

Senator JOHNSON. If that vessel is bound along the coast, or any other foreign point, the rate is $1.25. Is that right?

Mr. RIXEY. Per net ton.

Senator JOHNSON. How do you get at that? How do you kn where the vessel is bound when it is leaving port?

Mr. RIXEY. You have to police the rate, as I understand it.

Senator JOHNSON. How do you know when the vessel is at port and applies for coal?

Mr. RIXEY. Will you explain, Mr. Green?

Mr. GREEN. The application of the rate has not been stated w entire accuracy. In the first place, the rate of $1.40 per gross was primarily designed for cargo coal and is applicable on a coal that goes beyond the port of Charleston, and there is no trou in telling whether a vessel that comes in to Charleston for coal going outside the port.

Senator JOHNSON. What does the vessel want coal for that is j loading in the harbor, at $1.80?

Mr. GREEN. The rate of $1.80 per net ton was put in for the of Government dredges or vessels working within the Charles Harbor, anywhere within the harbor where the Government doing quite a great deal of work a few years ago, and they had qu a craft in there dredging the barbor. That rate is just as much than the Charleston proper rate as the rate applied for the same p pose is less than the Norfolk proper rate, 25 cents a net ton. T other rate is the Charleston proper rate of $2.05 per net ton, wh applies for land delivery, or what the eastern lines call "tr delivery," anywhere within Charleston limits, including the n yard, which is on the Charleston tracks, and does not take its by water. The lighthouse, which is outside the harbor of Char ton, gets the benefit of the $1.40 rate, and uses Virginia coal.

The CHAIRMAN. Mr. Green, while you are making a statemen would like to ask you a question. Has the higher rate charged use of coal at Norfolk, as compared with the rate for use in the l bor, been before the Interstate Commerce Commission or any co

Mr. GREEN. The commission has dealt with the application of t three rates at Norfolk, and also with the charges incident to it.

The CHAIRMAN. And the commission came to the conclusion th was proper to charge the higher rate for domestic use than for within the harbor?

. GREEN. I am not certain that the commission passed on that :ular question as to the situation at Norfolk. It has in more one case condemned the practice of making different rates on ıme kind of coal, based on its use. Whether it will sustain that :ion at Norfolk I do not know.

e CHAIRMAN. I was under the impression that the commission e courts had said that it was proper to make a higher rate for trade than for coal to be used in the harbor. I supposed it was the ground that if coal was delivered in the harbor it was not ct to the same trouble in unloading in warehouses.

. GREEN. Yes, sir; and there is more or less additional expense

e CHAIRMAN. I was anxious to know if that had been decided ıy court or the commission.

. GREEN. This feature of it has been decided by the commission, you could not make a rate on coal for delivery in the harbor at ɔlk or elsewhere for one person in the harbor and a different :or some other person, but you may make a different rate for de- ' within the harbor than for delivery on land.

. RIXEY. In further answer to your inquiry, I do not think the ıission has ever ruled formally on the question of the rate for ery in the harbor. The commission and the courts have recog- that you may make a different rate on traffic which is trans- d beyond the ports.

e CHAIRMAN. I believe you are right. That is what I had in

. RIXEY. With reference to the rate for delivery on vessels in arbor, that matter was submitted informally to the commission.

e CHAIRMAN. Then the holding was with reference to coal for shipment.

. RIXEY. With reference to coal for transshipment.

e CHAIRMAN. Was that holding by the Supreme Court or by nterstate Commerce Commission?

. RIXEY. I think they have both ruled on it. The Supreme ; settled the principal in the Import Rate case.

e CHAIRMAN. Do you remember the style of the case in the Su- e Court decision?

. RIXEY. I will get that for you. With reference to the rate elivery within the harbor—that is, on vessels not going out- the harbor—that question was taken up, as I understand formally with the commission when the question of pub- g those rates at Philadelphia and at Baltimore was gone into, ılso later at Norfolk by the Norfolk & Western. Those car- at one time published what they call a bunker rate— is, on coal to be used for fuel purposes, to be loaded on s—and the commission held that that was improper, depend- n the use of the commodity, and the rate could not be main- l. Then the question arose as to whether or not they could pub- rate, not confining it to fuel coal, but distinguishing between o be used on vessels within the harbor and coal on vessels go- eyond, on transshipment coal, and the commission informally ıved the publication of rates in that way, and thereupon those were established.

The CHAIRMAN. Are these three classes of rates in force at Philadelphia and Baltimore?

Mr. RIXEY. They are, sir.

The CHAIRMAN. As well as at Norfolk?

Mr. RIXEY. They are.

Mr. WRIGHT. I would like to give a reason why I think the Navy rate should be either the tidewater rate of $1.40 per gross ton, or not to exceed $1.50, the bunker rate at Norfolk. This is not commercial business; it is part of the national defense. The vessels of the present Navy, beginning with the cruiser *Charleston*, carry power plants similar to the English vessels, which are built to use low volatile coals, such as the Welsh, Pocahontas, New River, and Georges Creek. This limits the Navy's purchase of coal going to the Chesapeake Bay ports, and there is relatively little competition in price on the Navy coal at the present. The Navy colliers, tugboats, and smaller cruisers can economically use high volatile coals, such as are produced in southwest Virginia, eastern Kentucky, and east Tennessee.

The CHAIRMAN. Do you mean by that that the cruisers and battleships could not use the coal reached by the Southern Railway, if they carried it to Charleston?

Mr. WRIGHT. They could use it, but those are all gaseous coals producing a thick smoke, and the Bureau of Engineering says that they will have secondary combustion in the uptake of the smokestacks if they do use it.

The CHAIRMAN. This coal, if carried to Charleston, would only be used, as you understand it, by the tugs and colliers.

Mr. WRIGHT. At present. But what I wish to register is a protest against the slavish following of the *Charleston* design, which was a design by an English architect when they started the new navy.

The CHAIRMAN. I do not think we want to go into that. We have enough collateral issues here before us now.

Mr. WRIGHT. I do not want to go into it very far, but the vessels on the Great Lakes are run by these coals.

Senator POINDEXTER. The Southern Railway does not control the design of a battleship.

Mr. RIXEY. Let me make this point clear before we leave that subject: If the coal goes beyond Charleston Harbor, then the $1.40 rate is applicable and is open to the Government as well as to anybody else.

Mr. WRIGHT. I so understand.

Mr. RIXEY. What you said was only with reference to the rate on coal to be used in the harbor.

Mr. WRIGHT. In the harbor. That is the only rate I am criticizing. I think that can properly be the Norfolk basis, and it would develop a very large movement.

The CHAIRMAN. That is, you think it ought to be $1.50?

Mr. WRIGHT. Yes, sir. If the carriers felt that $1.50 per gross ton was unfair, an experimental basis of $1.50 per net ton ought to satisfy them.

Mr. RIXEY. And that you confine to Government coal for use in the harbor?

Mr. WRIGHT. I do.

Mr. RIXEY. Do you contend that the rate of $2.05 to Charleston is improper?

Mr. WRIGHT. Yes. We will take the coal from the B., R. & P. on the Pennsylvania points of origin coming to Philadelphia at $1.50 per gross ton, taking the rate of 90 cents, I believe you said on yesterday.

Mr. RIXEY. One dollar was the schooner rate from Baltimore. I do not know what it is from Philadelphia.

Mr. WRIGHT. It would be the same, which is now $1. It is $2.25 per gross ton. As long as that combination permits the movement of a large tonnage of coal into Charleston it would seem fair, from the standpoint of both carriers and the mines, that the near-by coal in the South should be allowed to enter that southern market.

Mr. RIXEY. What do you call the near-by coal in the South? The Virginia fields?

Mr. WRIGHT. Virginia and Tennessee, both.

Mr. RIXEY. The distance from the Clearfield region to Baltimore is 256 miles.

Mr. WRIGHT. What do you get that average distance from Clearfield from?

Mr. RIXEY. I am taking it from the Hobart exhibit in the coal investigation.

Mr. WRIGHT. Do you know where the point is?

Mr. RIXEY. No, sir; I do not; but this is the average distance shown in the record before the commission. Your distance from Cumberland and Piedmont regions from Keyser, W. Va., to Baltimore is only 200 miles, and your distance from Cumberland, Md., to Baltimore is only 192 miles. Your distance from the Virginia fields to Charleston via the Southern Railway is 491 miles, and, via the shortest route, 471 miles.

Mr. WRIGHT. That is the average group?

Mr. RIXEY. Yes, sir.

Mr. WRIGHT. What is the distance from Appalachia?

Mr. RIXEY. Twelve miles less.

Mr. WRIGHT. Four hundred and fifty-nine.

Mr. RIXEY. Do you contend that the carriers should bring this coal from the mines, located 450 miles from the port, by rate adjustment, and place them upon a parity with mines 192 miles from Baltimore or 200 miles from Philadelphia?

Mr. WRIGHT. Mr. Rixey, I do not want to prolong the reply at all, but there is no mine located 190 miles from Baltimore. There is no mine at Cumberland, Md. The situation there is that the Consolidated Coal Co. owns the Cumberland & Pennsylvania Railroad, which handled last year about 4,000,000 tons of coal. That road is 32 miles long, and their mines are at an average of from 20 to 25 miles out from Cumberland.

Mr. RIXEY. This 192 miles includes 25 miles average assembling haul. Then you have mines within 192 miles of Baltimore.

Mr. WRIGHT. That road belongs to the coal company and pays from 50 to 55 per cent a year and gets a pro rata of the rate to Baltimore, so that the Baltimore & Ohio gets approximately $1 a ton. That company's shipment, under that condition, can absorb some part of the loss at Charleston very easily. If you will move to upper Pennsylvania and take the B., R. & P., or the Pennsylvania connection, I think you will have a fair comparison. The Consolidation Co. is invincible in the coast trade under the existing conditions.

The CHAIRMAN. Mr. Wright, in order to take the market away from the coal shipped to Charleston at the rate of $2.05, either the railroad rates or the schooner rates would have to be reduced from what they are at present.

Mr. WRIGHT. To take it away from Virginia?

The CHAIRMAN. To take it away from the Charleston market. Suppose the coal had an outlet at Charleston and sold at $2.05. I understand the rates to Baltimore and Philadelphia were $1.25 for rail and $1 for the schooner rate, or 90 cents.

Mr. WRIGHT. Gross ton, and $2.05 to Charleston is the net ton.

The CHAIRMAN. What would it be for the Pennsylvania coal at Charleston per net ton? Would it be less than the $2.05 rate?

Mr. WRIGHT. That is $2.30 as against $2.25.

The CHAIRMAN. That is your complaint.

Mr. WRIGHT. I should say that the Southern Railway, in its own interests as well as that of its shippers tributary to the port of Charleston, could well afford to regulate that situation to hold the business.

The CHAIRMAN. So as to make a rate reasonably lower coming around?

Mr. WRIGHT. Yes.

Senator POINDEXTER. Do you mean to say the rate to Charleston is higher than the combined rate from Norfolk to Baltimore?

Mr. WRIGHT. Slightly higher to-day. There has been a raise, however, in the schooner rate within the last four or five or six months. Before that there was a schooner rate of 90 cents, and they had the advantage of 10 cents more on the northern coal to Charleston at that time.

Mr. RIXEY. You claim the Pennsylvania mines have an advantage of 5 cents per ton?

Mr. WRIGHT. Yes.

Mr. RIXEY. Via Baltimore?

Mr. WRIGHT. Yes; via Philadelphia. Baltimore is $1.18 and $1. You would have $2.18 per gross ton at Charleston.

Senator POINDEXTER. What is the rate from Baltimore? It would be still lower?

Mr. WRIGHT. No; they are the same. The distance is shorter. The schooner rates work out about the same.

Senator POINDEXTER. The schooner rate is the same, but the railroad rate to Norfolk is lower than the railroad rate to Baltimore.

Mr. WRIGHT. It is 15 cents higher.

Mr. RIXEY. From West Virginia to Norfolk the rate is $1.40 per gross ton, about twice the haul as from the Maryland mines to Baltimore. Now, I understand that is your complaint against this rate—the fact that the rate of $2.05 per net ton now gives an advantage of about 5 cents per gross ton to the Philadelphia coal. Is that right?

Mr. WRIGHT. Temporarily it is 5 cents. It is usually greater than that.

Mr. RIXEY. If you take the movement through Norfolk, you have $2.40 per gross ton, do you not?

Mr. WRIGHT. We would at present.

Mr. RIXEY. $1.40 to the port of Norfolk and $1 schooner rate to Charleston; so that Norfolk in competing with Philadelphia would be at a disadvantage of 15 cents, would it not, on your figures?

Mr. WRIGHT. Theoretically; yes.

Mr. RIXEY. How much coal does Baltimore ship to Charleston by water?

Mr. WRIGHT. I do not know. We have inquiries out.

The CHAIRMAN. How far down the coast does this schooner rate of $1 apply?

Mr. WRIGHT. It usually applies as far south as Jacksonville and Mayport.

The CHAIRMAN. The same rate; and it takes in Fernandina, Brunswick, and Savannah?

Mr. WRIGHT. The rate has been as low as 85 cents in the last year.

The CHAIRMAN. I believe I will come back for a moment to your statement about the character of the coal. You say that the naval vessels, as now equipped, do use the New River and Pocahontas coal?

Mr. WRIGHT. And Georges Creek.

The CHAIRMAN. Is that a different character of coal from the coal that can be reached by the Clinchfield, or the Southern, or that it does reach now?

Mr. WRIGHT. It is.

The CHAIRMAN. How far is that Appalachia group from the Pocahontas group or the New River or Georges Creek group?

Mr. WRIGHT. The Pocahontas seams run underground——

Mr. THOM. Are you referring to where the coal is underground, or where it is mined?

Mr. WRIGHT. The last Pocahontas mine, going west, is Boissevain. May I illustrate on the map?

The CHAIRMAN. Yes.

Mr. WRIGHT. Now, take the line of the Norfolk & Western Railroad where it passes out of West Virginia into Virginia, and you will see the coal measures just south of that line. It really should be north, a mile or two, but the Pocahontas territory extends to about Boissevain—from about here to the Boissevain mine, just west of Pocahontas, 7 or 8 miles on the Norfolk & Western, in Tazewell County, Va. The next coal that appears is around Richlands, Tazewell County, and from that point to Tuscaloosa, Ala., we have an entirely different class of coals from the Pocahontas, New River, or Georges Creek coals.

The CHAIRMAN. The character of coal used by the Navy is reached only by the Norfolk & Western, the Clinchfield, Carolina & Ohio, and those roads north?

Mr. WRIGHT. The Baltimore & Ohio, and a little on the Pennsylvania, the Navy specifications to-day being very narrow.

Senator JOHNSON. I understand the difference between the coals generally was that those you described as New River were low volatile ones.

Mr. WRIGHT. Low volatile ones, and make very little gas or soot.

Senator JOHNSON. The others are high volatile coals?

Mr. WRIGHT. High volatile coals. The competition is limited by those narrow specifications. That is what I was trying to put into this record.

Senator POINDEXTER. You claim to be competent to testify as to grates and furnaces for burning coal, as to whether other designs

could be used that would make this coal on the Southern Rail
line available.

Mr. WRIGHT. Without making any claim, I call attention to
fact that on the Great Lakes, where there is an immense tonn
the most economical steam plants in the world are on their ves
and they do not use the low volatile coal at all, but they use the sm
coal.

The CHAIRMAN. Do you know what changes would have to be m
in the boilers of the vessels?

Mr. WRIGHT. You could not change the existing power plant
your vessels, but your tugboats, your gunboats, and your coll
created hereafter could easily be arranged to handle these cheap c
and work an immense economy to the Navy. The destroyers and
fast cruisers, the high-speed vessels, would never be changed, in
judgment.

The CHAIRMAN. You mean hereafter?

Mr. WRIGHT. Hereafter. I think you will maintain the pre
design to use coal like the Welsh coals and the three I have m
tioned.

The CHAIRMAN. So the coals reached by the Southern Rail
and the other roads that tap the coal fields, different from the P
hontas coal fields, would be limited in their output or sales to o
than naval vessels, except the coals you named?

Mr. WRIGHT. They would.

The CHAIRMAN. Now name those classes that would be bene
by a better access to the coals such as are found in the Appalac
region.

Mr. WRIGHT. The tugboat, the lighthouse tenders, the colliers,
your small gunboats. Anything from 15 knots down.

The CHAIRMAN. Is there any difference in the character of
found in the Benham group, the Middlesboro group, the Je
group, and the Coal Creek group, and the Alabama mines from
coal found in the Appalachian group?

Mr. WRIGHT. They are all high volatile or gaseous coals. T
vary immensely in ash and sulphur.

The CHAIRMAN. All I am interested in is that, so far as the N
is concerned, there would be the same objection to using ther
there now appears to be to using the coal from the Appalac
group.

Mr. WRIGHT. There is for the time being.

Mr. THOM. I would like to put this in the record: Do I un
stand, Mr. Wright, that the existing naval specifications as to
kind of coal to be used apply as well to the tugboats and to
lighthouse tenders and the colliers and to the other classes you m
tioned as to battleships, and so forth?

Mr. WRIGHT. I really do not know. My impression is that the
boats of the Navy use most any coal they can pick up; that the
not strict in their specifications.

Mr. THOM. You do not know about that?

Mr. WRIGHT. I do not.

The CHAIRMAN. I will ask you a question for the informatic
the members of the Naval Affairs Committee. If a fleet was in
Pacific, where could they get coal over there?

Mr. WRIGHT. You buy the British Columbia coal, which is not mparable to any of these southwest Virginia coals.

The CHAIRMAN. Do they use those coals?

Mr. WRIGHT. They do.

The CHAIRMAN. I thought you said they could not use high vola- e coal.

Mr. WRIGHT. They do use it, perforce, when they are in a situation ch as you describe, but there is a great deal of Pocahontas coal ing around the Horn, and there has been for the last 20 years, for e navy yard at Mare Island.

The CHAIRMAN. Does the Navy use Chilean coal?

Mr. WRIGHT. No. It is used under high pressure, but I under- and it is the worst coal in the world.

The CHAIRMAN. The Navy tries to get low-volatile coals, such as e low-volatile coals found in the New River, Pocahontas, and eorges Creek groups?

Mr. WRIGHT. It does.

Senator POINDEXTER. I would like to put into the record that there a vast supply of just as good coal as the Pocahontas and the eorges Creek coal in Alaska that we are trying to get the Navy to velop and use.

The CHAIRMAN. The coals change at what point?

Mr. WRIGHT. The coals change between Boissevain, Tazewell ounty, Va., and Richlands, Va., on the Norfolk & Western Railway.

The CHAIRMAN. How far are those mines apart?

Mr. WRIGHT. About 40 miles.

Mr. RIXEY. Then the Pocahontas and New River coals are low- olatile coals, high in fixed carbon, and are what are known as short- ame coals?

Mr. WRIGHT. They are.

Mr. RIXEY. They are not only preferred by the Navy, but that is a extremely popular coal—that is, the Pocahontas and New River— or marine steam purposes?

Mr. WRIGHT. For marine steam purposes; yes, sir.

Mr. RIXEY. In other words, the vessels in the foreign trade—the essels calling at ports for bunker—usually prefer Pocahontas or ew River coal?

Mr. WRIGHT. I do not wish to make that statement to-day. There as a great deal of Toms Creek coal supplied at Norfolk in past ears to vessels for bunker purposes and it was satisfactory. That a high-volatile coal.

The CHAIRMAN. Do the low-volatile coals find their way to orfolk?

Mr. WRIGHT. Yes, sir; that is, the bulk of the low-volatile coals oes to Norfolk.

Mr. RIXEY. Do you mean to say the bulk of the transshipment coal t Norfolk is——

The CHAIRMAN. I did not ask him that. I asked you if the low- olatile coals go to Baltimore and Philadelphia, also.

Mr. WRIGHT. Yes; but not in the quantities they reach Norfolk.

Mr. RIXEY. You said, in the coal investigation, with reference to ocahontas coal, this, which I quote from page 197 of the record:

Pocahontas is very popular for marine purposes. It is well known that it —in fact, it may be said to be—a standard coal to-day for marine purposes.

The CHAIRMAN. There is no contradiction in that. He ha contradicted that statement.

Mr. RIXEY. I am not questioning his statement as to the : He said the Navy preferred, and that their specifications cal that coal. I want to ask him further if other vessels do not] that coal.

Mr. WRIGHT. Prefer Pocahontas or similar grades, New Ri Georges Creek?

Mr. RIXEY. Yes.

Mr. WRIGHT. The answer would be generally yes.

Mr. RIXEY. Do you know how much coal moved to Chai from Philadelphia and from Baltimore? I understand you you do not.

Mr. WRIGHT. I have not received all of the figures asked : that point.

Mr. RIXEY. You undertook to show that the rate by wat by rail through the port of Philadelphia was 5 cents per gr lower than from Appalachia to Charleston.

Mr. WRIGHT. Yes.

The CHAIRMAN. You also undertook to say that there was a rate by water and rail through Baltimore than applied th Philadelphia, and that Baltimore had an advantage on the borne movement to Charleston. Norfolk, however, is at a vantage, is it not, as compared with the rate from Appalac Charleston? In other words, your Norfolk rate is $2.40 per ton, rail and water, from West Virginia mines to Charleston, w your Appalachia rate to Charleston is $2.05 per net ton, or $2. gross ton. How do you explain the fact—and it is a fact—th bulk of the water-borne coal moving to Charleston goes from Virginia via Norfolk, and that very little goes from either delphia or Baltimore by water to Charleston?

Mr. WRIGHT. Our records gathered thus far show quite a n of cargoes out of Philadelphia. I am not in a position to which port has the bulk of the movement or has had in recent

Mr. RIXEY. We have the figures for the fiscal year ending 30, 1914, and the total coal coming through the port of Bal and moving by water to Charleston—bituminous coal—was 20

Mr. WRIGHT. From the port of Baltimore?

Mr. RIXEY. Through the port of Baltimore. The total mov from Philadelphia coming by water to Charleston was 9,24 The total movement from West Virginia, moving via Norfol sent by water to Charleston, was 28,262 tons. All that coal differential against it of from 10 to 15 cents per ton—that Norfolk coal—as compared with coal from Appalachia to C ton, on the rate of $2.05, is it not?

Mr. WRIGHT. Do you want me to explain that?

Mr. RIXEY. Yes; if you can.

Mr. WRIGHT. What allowance do they make there for unl of the vessels?

Mr. RIXEY. Where?

Mr. WRIGHT. Unloading allowance.

Mr. RIXEY. Where?

Mr. WRIGHT. At Charleston.

Mr. RIXEY. I do not know, sir.

Mr. WRIGHT. You will find the charter rate includes this charging. ually that is 25 or 27 cents.

Mr. RIXEY. Does that charter rate include the dumping and trimmg at Norfolk?

Mr. WRIGHT. As a rule, no. That is 5 cents.

Mr. RIXEY. No, sir; 7 cents on schooners for trimming and 1½ cents r dumping per gross ton.

Mr. WRIGHT. Put that all in.

Mr. RIXEY. So that increases your rate 8½ cents.

Mr. WRIGHT. Yes; in the schooner.

Mr. RIXEY. If you say that coal from Apalachia to Charleston on e $2.05 rate can not compete with the water-borne coal, how is it at the bulk of the West Virginia tonnage moving to Charleston oves all rail?

Mr. WRIGHT. I do not want to contradict you on that, but I do ant to verify that statement myself before making a reply.

Mr. RIXEY. Take the West Virginia mines, and they have a rate ound through Roanoke, thence via the Norfolk & Western through Winston-Salem; then when you get to Winston-Salem there is a ad, not shown on this map, which is known as the Winston-Salem outhbound, which is owned by the Norfolk & Western and Atlantic oast Line, and they go through Norwood to Wadesboro and the tlantic Coast Line runs from Wadesboro to Charleston. So that e Norfolk & Western and the Coast Line have a direct route from e Pocahontas field to Charleston. Do you know what their all-rail ate to Charleston is?

Mr. WRIGHT. About 10 cents higher than yours.

Mr. RIXEY. $2.15.

The CHAIRMAN. Now, you are going into the Pocahontas field. et us see how far that is, and whether it is available to Charleston. What is the distance?

Mr. RIXEY. I will give you the distance, sir. The shortest route s 523 miles, and the rate is $2.15.

Mr. LYON. What is the longest distance?

Mr. RIXEY. I have not the maximum distance from the West Virginia fields to Charleston.

Mr. LYON. You have the minimum distance?

Mr. RIXEY. I have the short-line distance and I have the other hort-line distances.

The CHAIRMAN. Now put in from the Pocahontas fields to Norolk.

Mr. GREEN. The average haul is about 400 miles.

Mr. LYON. Does that mean that 523 is the average haul?

Mr. GREEN. The shortest route.

Mr. WRIGHT. How do you get that, Mr. Green? It is 255 miles o Winston-Salem, 89 miles to Wadesboro, and 114 miles from Wadesoro to Charleston.

Mr. THOM. It seems to me we might save some time at this point. When we get to the question of the rate situation and the movement f coal, we have a witness who will be put on the stand to give a onsecutive account of this situation, and it will be better than puting it in by piecemeal by cross-examination.

The CHAIRMAN. I think that will be more satisfactory. It would save time.

Mr. THOM. Moreover, I wish to read into the record at this point an order entered by the Interstate Commerce Commission on November 10, 1913, as follows:

No. 6324. In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida.

It appearing that rates for the transportation of bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida have been the subject of formal and informal complaints to the commission, it is ordered that a proceeding of inquiry and investigation be, and the same is hereby, instituted by the commission, on its own motion, into and concerning the rates maintained by common carriers subject to the act to regulate commerce for the transportation of bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia, North Carolina, South Carolina, Georgia, and Florida, named in the following designated tariffs:

Carolina, Clinchfield & Ohio Railway, I. C. C., 218.
Chesapeake & Ohio Railway, I. C. C., 5110.
Cincinnati, New Orleans & Texas Pacific Railway, I. C. C., 3922.
Louisville & Nashville Railway, I. C. C., A-12694.
Norfolk & Western Railway, I. C. C., 2471-B.
Nashville, Chattanooga & St. Louis Railway, I. C. C., 1878.
Southern Railway, I. C. C., A-5700.
Virginian Railway, I. C. C., 645.

It is further ordered that this proceeding be conducted with a view to ascertaining whether the rates at present maintained, or any of them, for the transportation aforesaid are unreasonable, and whether said rates, or any of them, subject such traffic or any shipper or receiver thereof from any point of origin in said States of Virginia, West Virginia, Kentucky, and Tennessee to any of the points of destination in said States of Virginia, North Carolina, South Carolina, Georgia, and Florida to undue or unreasonable prejudice or disadvantage, or make or give any undue or unreasonable preference or advantage to any of said traffic, or to any shipper or receiver thereof, and of determining what shall be the reasonable relationship of rates to the several points of destination as between the several producing fields.

It is further ordered that this proceeding and inquiry be conducted with a view to the issuance of an order or orders, regarding the respondents herein, to cease and desist from charging, demanding, collecting, or receiving any rates for the transportation aforesaid, in so far as the same may be found to be unreasonable or unduly preferential or prejudicing and requiring such respondents to substitute and establish in lieu thereof such rates as may be found to be reasonable and not discriminatory.

It is further ordered that the commission shall set this proceeding for hearing at such times and places as may be hereinafter determined; and it is further ordered that a copy of this order be forthwith served upon the carriers named in said tariffs, who are necessary and proper parties hereto, and that said carriers be, and they are hereby, made respondents to this proceeding.

By the commission.

GEORGE B. MCGINTY, *Secretary.*

Then follows a list of cases:

No. 5504. The Cotton Manufacturers' Association of South Carolina *v.* The Carolina, Clinchfield & Ohio Railway of South Carolina et al.

No. 5505. Belton Mills et al. *v.* The Norfolk & Western Railway et al.

No. 5583. Columbia Laundry Co. et al. *v.* Southern Railway Co. et al.

No. 5587. Columbia Laundry Co. et al. *v.* Carolina, Clinchfield & Ohio Railway et al.

No. 5667. Tomlinson Chair Co. et al. *v.* Virginia & Southwestern Railway et al

No. 5873. Lynchburg Cotton Mill Co. *v.* Norfolk & Western Railway Co. et al

No. 5836. The City of Spartanburg, S. C., *v.* Carolina, Clinchfield & Ohio Railroad et al.

No. 5992. Black Mountain Corporation *v.* Louisville & Nashville Railway Corporation et al.

In those cases this order is entered:

It is ordered that the above-entitled cases and the records hereafter made in any of them be merged with the proceeding entitled: "In the matter of rates on bituminous coal from points in Virginia, West Virginia, Kentucky, and Tennessee to points in Virginia. North Carolina, South Carolina, Georgia, and Florida," former Docket No. 6324; and that no further action be taken in regard to the final disposition of said cases until the general investigation filed under Docket No. 6324 shall have been completed; that said cases shall be controlled by the findings in said general investigation of which they are hereby made a part.

It is further ordered that a copy of this order, together with copy of order entered in Docket No. 6324, be served upon all the parties hereto.

By the commission:

GEORGE B. MCGINTY, *Secretary.*

In that proceeding the following parties intervened:

The Alabama Coal Operators' Association, composed of 85 per cent of the operators in Alabama; the Athens (Ga.) Chamber of Commerce; the Cotton Manufacturers' Association of South Carolina; the Chamber of Commerce of Greensboro; the Hayworth Roll & Panel Co. of Highpoint, intervened in Docket 5583, 5587, and 5667; the North Carolina Corporation Commission; the Virginia Lee Co.; the Black Mountain Mining Co.; the United Collieries Co. (Inc.); the Darby Coal Mining Co.; the Old Virginia Coal Co.; all Black Mountain operators of Virginia intervened in the Black Mountain case; the Winston-Salem Board of Trade.

Evidence has been taken in that proceeding, arguments have been presented, and the commission has under advisement its order in the premises. It seems to me we might abbreviate this somewhat by our not going too largely into the cross-examination of Mr. Wright on this subject, but that we can bring out any facts we desire to bring out by a witness whom we will put on the stand in regard to that very case.

Mr. LYON. That will be perfectly agreeable to us.

The CHAIRMAN. In view of that statement, have you any further questions to ask of Mr. Wright?

Mr. RIXEY. I want to ask Mr. Wright a question. I believe you said you preferred, or would prefer, to ship through Norfolk, where there was an established trade in transshipment coal, in the event the Norfolk route was open.

Mr. WRIGHT. Because that is an outlet to New York Harbor where we have business, and the New England coast also.

Mr. RIXEY. You are before the commission now asking the opening of that route and the establishment of the $1.40 rate from the Black Mountain Corporation to Norfolk?

Mr. WRIGHT. Not I, personally; no.

Mr. RIXEY. Well, the Black Mountain Corporation.

Mr. WRIGHT. Those corporations are all correct, just as the judge read.

Mr. RIXEY. If that route were opened, you have said that you would prefer to ship coal over the Norfolk piers, what will become of the investment of the Southern Railway at Charleston, and the piers which they are now establishing there?

Mr. WRIGHT. It would be used for the southbound movement, like everybody intends.

Mr. RIXEY. So that you prefer the Norfolk route, and you expect to use the Norfolk route because there is an established trade there,

and your proposition is that that route should now be opened and given to you, notwithstanding the fact that the Southern Railway Co., in good faith, has provided a transshipment route to Charleston, has gone to great expense to provide these terminal facilities there and if you deflect all the tonnage from the Virginia fields through Norton, via the Norfolk & Western through Norfolk, about the only use that will ever be made of the Southern Railway Co.'s pier at Charleston will be as a roost for sea gulls. Where would they get any tonnage from if you take all the tonnage from the Virginia fields and send it through Norfolk?

Mr. WRIGHT. The situation is this: Our competitors, the Stonega Co. on the Interstate Railroad, have their own line up to Norton, and can reach the eastern tidewater market, which is New York Harbor, and New England, with their coal over the Norfolk & Western Railroad through Norfolk and by boat.

Mr. RIXEY. Who is that, the Stonega?

Mr. WRIGHT. The Stonega. The Virginia Iron, Coal & Coke Co. is at Toms Creek just east of Norton, and is doing that with an immense volume of tonnage. We have the same character of coals, and can sell where they sell, providing we can get the same route and rate, but it would be difficult to ship that coal to Charleston, start it north via Cape Hatteras in a successful way, as compared with the Norfolk route. The same reasoning would apply to the southbound movement. I do not think it would be fair to the Southern Railway or anyone to try to use Norfolk for southbound movement as long as the Southern provided these facilities they are now constructing at Charleston for that movement. The Southern Railway Co. deserves support in this proposition.

Mr. RIXEY. Let me understand. You propose to send all of your tonnage to any port north of Norfolk, all the tonnage that you can develop, over the Norfolk piers, in the event that route is opened, and the only tonnage which will go to Charleston will be tonnage for southbound shipment—that is, going south of Charleston. That is your proposition, is it?

Mr. WRIGHT. We could not expect, except in extraordinary cases where shipment was available at a competitive rate, for instance, to move coal to the Brooklyn Gas Works via Charleston and boat, as against Norfolk and boat.

Mr. RIXEY. I am not asking that, but I am calling attention to the fact, and ask you if it is not true that you intend, in the event this route is opened, to send over the Norfolk pier coal which goes north of Norfolk, and that the only tonnage which will be available over the Charleston piers will be such as you may ship south of Charleston. Is that the situation?

Mr. WRIGHT. Tonnage via Charleston will be very much larger if southwest Virginia coal ever breaks into the export market. The tonnage will divide itself according to its destination, just as tonnage now going to Cincinnati follows the Louisville & Nashville Railroad.

Mr. RIXEY. What markets are to-day available south of Charleston?

Mr. WRIGHT. All the ports of the West Indies, Central America, and South America. Some of them on the Pacific coast via the canal. The situation to-day is that the Pennsylvania operators are opening offices on the Pacific coast in order to do their business.

Mr. RIXEY. Have you any definite contracts or any interest in any foreign trade?

Mr. WRIGHT. There was a little order of 2,000,000 tons moving around the market in New York last month. We did not take it, under the circumstances.

Mr. RIXEY. That is the one you referred to as Berwind having shipped to South America?

Mr. WRIGHT. No; I did not make that statement. The Consolidation Coal Co. was trying to move it over the Clinchfield road the last I heard of it.

If you do not object, I would like to ask Mr. Rixey a question concerning the Charleston rate from Pocahontas that was introduced just now. Does the Southern Railway Co. participate in that water competitive rate from Pocahontas district to Charleston, $2.15, I believe you said it was?

Mr. RIXEY. $2.15. I do not know, sir. Mr. Green can tell you.

Mr. GREEN. Yes; certainly.

Mr. WRIGHT. I notice the distance via the Southern Railway is 586 miles. Is there any objection to knowing just the idea in doing that in connection with coal mines off the Southern roads, when the rate of $2.05 is the best that can be done from the local mines on the Southern Railway?

Mr. RIXEY. Let me ask you this: If West Virginia can ship coal to Charleston, all rail, at $2.15, and for the fiscal year ending June 30, 1914, West Virginia shipped to Charleston, all rail, 59,597 tons, why can not Appalachia ship coal to Charleston on the $2.05 rate, which is 10 cents under the West Virginia coal mines?

Mr. WRIGHT. Probably the fairly recent introduction of the Appalachia and Toms Creek and Black Mountain fuel in that section, and the Clinchfield also, would explain that. The Pocahontas has been in the market for many years.

Mr. RIXEY. The movement from the Virginia mines to Charleston was 46,902 tons. Now, you have the benefit of the $2.05 rate. Why can you not compete with the West Virginia coal moving all rail, which takes the rate of $2.15?

Mr. WRIGHT. Is that per net ton?

Mr. RIXEY. Both rates per net ton.

Mr. WRIGHT. Let Mr. Green verify that being net ton.

Mr. GREEN. Net ton.

Mr. WRIGHT. The Pocahontas is a favorite fuel to many people. What I would like to get at is, is that business remunerative to the Southern Railway Co. on so thin a rate?

Mr. RIXEY. I am asking the question why you can not compete with that coal when you have a 10 cent better rate.

Mr. WRIGHT. It is probably the difference in the grade of the coal and the character of the coal.

Mr. RIXEY. Is not the Coal Creek rate to Charleston $1.95?

Mr. WRIGHT. It is.

Mr. RIXEY. Which is 20 cents lower than the West Virginia rate?

Mr. WRIGHT. It is.

Mr. THOM. Mr. Wright, you heard me read into the record a little while ago the general order of the Interstate Commerce Commission in connection with the coal rates. Is it not a fact that in that pro-

ceeding all the rates which have been discussed here at all are volved?

Mr. WRIGHT. All except those northern rates which we h brought into this, I believe are.

Mr. THOM. All rates into the South or the Southeast are involv

Mr. WRIGHT. They are.

The CHAIRMAN. By the intervention of the Alabama people, they bring in the Alabama mines, too?

Mr. RIXEY. Yes, sir.

The CHAIRMAN. When was that case submitted to the Inters Commission?

Mr. RIXEY. It was argued before the commission, I think, abo month ago. Is not that correct, Mr. Lyon?

Mr. LYON. It was some time this fall. I do not know just whe was. I think it was in November.

Mr. RIXEY. It is with the commission now for decision.

Mr. THOM. Mr. Wright, have you given the information as to actual investment in your operating company, the United Collie Co., which you were speaking of on yesterday?

Mr. WRIGHT. I told you on yesterday we would undertake to that from Bristol, but I have this information to-day: There was tween $325,000 and $335,000 worth of stock issued. That covers t mining plants and about $100,000 in cash. The United Colli owns the new washing plant that serves the entire field and h good deal of its capital in that. It really has four plants.

Mr. THOM. What are the companies embraced in the United lieries Co.?

Mr. WRIGHT. The Black Mountain, the Dominion and the B urant.

Mr. THOM. At what figure was the Dominion taken into your pany?

Mr. WRIGHT. Those are the figures I have sent for. I would you if I could give it to you offhand, but I can not. The Domi represented an investment of about $168,000.

Mr. THOM. I am talking at about what figure it was taken into company.

Mr. WRIGHT. I am sure it was not anything large—anything the $168,000.

Mr. THOM. Had not that plant been recently sold out at au when you took it into your company?

Mr. WRIGHT. It had.

Mr. THOM. At what figure?

Mr. WRIGHT. I do not recall. Somewhere around $60,000; s thing like that.

Mr. THOM. Was it not $40,000?

Mr. WRIGHT. No.

Mr. THOM. You can get those figures?

Mr. WRIGHT. Certainly.

Mr. THOM. And you are not prepared to go into this fully to

Mr. WRIGHT. No.

Mr. THOM. We will then defer that until we get the figures. you were speaking of your capitalization in your mining oper covering these three mining operations, and the actual in p money of about $100,000.

Mr. WRIGHT. Oh, no. It represents dollar for dollar in money against the stock. For example, we had three mining plants and $100,000 in the treasury when we issued about $325,000 worth of stock.

Mr. THOM. Then it is the three mining plants and the $100,000 you had in the treasury?

Mr. WRIGHT. Yes. If you deduct that $100,000 cash from the treasury you would have three mining plants, representing about $225,000.

Mr. THOM. Where is that cash—the $100,000—now, and is it still in your treasury?

Mr. WRIGHT. We have built the washer and made a great many other improvements, putting the plant in good condition.

Mr. THOM. In other words, you have expended that money in the improvements of your plants?

Mr. WRIGHT. Yes.

Senator POINDEXTER. Which company is this you are speaking of?

Mr. THOM. The United Collieries Co., one of the companies in the Black Mountain field, in which Mr. Wright is largely interested, and of which company he is vice president, I understand. That is correct, Mr. Wright?

Mr. WRIGHT. That is correct.

Mr. THOM. So that you have your entire capital invested now in property in that field, have you not?

Mr. WRIGHT. We still have some money in the treasury. The bulk of it is all invested in that field.

Mr. THOM. Here is what I am trying to get at: How much money have you available for the establishment of selling agencies in order to get into the market where you hope to sell your coal?

Mr. WRIGHT. It is not necessary to have money for that. We propose to do like the bulk of the other shippers are doing; for example, in the South American trade it pays to-day to go to a London broker and pay him 10 cents a ton for selling your coal in South America. That broker owns the ship and the transaction is greatly simplified.

Mr. THOM. You have no agencies established in the places where you hope to sell your coal as yet?

Mr. WRIGHT. Do you mean our little mining company has branches of that character?

Mr. THOM. I asked you if you had.

Mr. WRIGHT. Why, no; and nobody else has.

Mr. THOM. In what situation is the Consolidation Coal Co., the Berwind-White, and other large companies you mentioned yesterday? What do they do in the way of controlling the markets of the West Indies, South America, and such coal that might pass through the Panama Canal?

Mr. WRIGHT. The Berwind family have quite a number of vessels. For example, they have the Havana Coal Co., in Havana Harbor, which has a very large water frontage in a very good location, and it gives them something like the control of the situation. They are in the same fix at Matanzas and Santiago, and all through the West Indies the Berwind-White people are intrenched that way. I think the Consolidation people have a man in Rio de Janeiro and another man in Buenos Aires—that is, a salesman. It would not be an expensive thing, or they would not be required to issue bonds to put

a man in the South American trade, for he would be a salaried man. I do not believe that that point has very much bearing.

Senator POINDEXTER. Have you any competitors in South America, or is there any coal produced in South America?

Mr. WRIGHT. There is a mine in Coronel, Chile, which produces a high-sulphur coal that nobody uses unless they run out in that neighborhood, and there is no competition.

Senator POINDEXTER. Is there any competition from Mexico?

Mr. WRIGHT. There is a little coal mined in Mexico, but it is not a serious factor. The smelters in Mexico use American coke as a rule.

Mr. THOM. Do you not anticipate that it will be a very considerable undertaking to dislodge the Berwind-White people in the various places where you have described, considering the foothold they have in those markets?

Mr. WRIGHT. It will be an undertaking. But you take our field generally—take the Virginia Iron, Coal & Coke Co., they accomplished a great deal with a very small force of salesmen. I would not expect those people to have any trouble in that market.

Mr. THOM. Of course it is to our interest, as you know, that you gentlemen should succeed in putting your coal into those markets, you as much as the others, and the others as much as you, whoever operates over our rails. What I am getting at is to bring out whether or not there is not an intrenched position by the Berwind-White people and the Consolidation Coal people in all these markets that will make the effort, joined in by you and us, to put southwest Virginia coal into these fields one of a very decided experiment and will require resources at the hands of the coal sellers to meet the tremendous competition of these people, already established in those markets. Is not that so?

Mr. WRIGHT. It will require very intelligent teamwork, sustained for a long time. The problem ought to be much easier to solve than the one the Norfolk & Western started to solve in 1883. They ran the tonnage up from 180,000 tons in 1883 to 25,000,000 tons last year.

Mr. THOM. They were helped, however, by the kind of coal that has met with the approval of the whole world for its excellence.

Mr. WRIGHT. It is an excellent coal.

Mr. THOM. Have you any resources, so far as your company is concerned, to meet the exigencies of that situation, other than such as you have described?

Mr. WRIGHT. I know where to get the money personally to make that venture if the transportation can be straightened out, and if we know that the Southern Railway Co. is going to be friendly to that experiment thereafter.

Mr. THOM. The transportation problems seem to be straightened out. You got the $1.40 rate and you are getting transshipping facilities, and that ends the question of transportation.

Mr. WRIGHT. Charleston and southbound, when you complete that, we can make no further demand on you there.

Mr. THOM. You have to depend, in order to bring down this coal to the market, on the employment of salesmen.

Mr. WRIGHT. Or using the London broker in the foreign market.

Mr. THOM. That, however, is not the only thing your competitors will do, as you have indicated by the situation of the Berwind-White people.

Mr. WRIGHT. That is true.

Mr. THOM. You asked to introduce, as I understand, copies of drafts of two contracts?

Mr. WRIGHT. Did not Mr. Lyon ask to do that?

Mr. THOM. You did it yourself, according to my recollection, and Mr. Lyon has been very efficient in backing you up, but the first suggestion came from you.

Senator POINDEXTER. Do the Berwind-White people ship any of this coal to their agencies you have described in the Tropics, over the Southern Railway?

Mr. THOM. We do not reach their mines at all.

Senator POINDEXTER. Do they ship any coal from southwest Virginia?

Mr. WRIGHT. No.

Senator POINDEXTER. Does the Southern Railway reach any of the Consolidation Coal Co.'s mines?

Mr. THOM. No. They reach other fields.

Senator POINDEXTER. Do they ship any coal of the same quality as this southwest Virginia coal?

Mr. THOM. I am not advised as to that.

Mr. WRIGHT. A very great deal, but it is going to the ocean trade from Fairmont, W. Va., through the port of Baltimore.

Senator POINDEXTER. That has not the advantage then of the Pocahontas coal in superior excellency that has been spoken of?

Mr. WRIGHT. No; but they have Georges Creek mines and sell that, too.

Senator POINDEXTER. I am speaking of the other kind.

Mr. WRIGHT. No.

Mr. RIXEY. No American coal has gone to South America heretofore, has it?

Mr. WRIGHT. Yes, sir.

Mr. RIXEY. For use by the South American railways?

Mr. WRIGHT. There have been some experimental cargoes of locomotive fuel sent down there.

Mr. RIXEY. When did they go?

Mr. WRIGHT. The last couple of years.

Mr. RIXEY. Has it not been within a shorter time than that?

Mr. WRIGHT. I do not know. I have heard of some moving. They use on the locomotives in South America exactly the fuel that is used in the locomotives in North America, and Mr. Harrison has stated what he thinks of the fuel from this district.

Mr. RIXEY. Do you not know that the railways in Brazil, and, I believe, in Argentina, use the Welch coal, or the British Admiralty coal, as it is called?

Mr. WRIGHT. They do in Brazil, but not in Argentina.

Mr. RIXEY. Do you not know that England has had that trade, and that the only reason she has had it is because she has the ships and they can carry coal out and get a return cargo?

Mr. WRIGHT. That is the fact. That is one of the difficulties the Government is confronting right now in going into the merchant marine. All the American coal companies, north and south, operating on a large scale expect to get into that English business you refer to down there. That is why I offered the report of Parliament on the coal shipment from England into that territory, to indicate the

tonnage available. Every port north of Charleston is making its plans to go into the English coal trade.

Senator POINDEXTER. How does the Birmingham coal compare in quality with the Pocahontas coal?

Mr. WRIGHT. It is entirely a different grade of coal. It is gaseous, high volatile coal.

The CHAIRMAN. I understood you to say it was the same character of coal that you have in the Appalachian group?

Mr. WRIGHT. To a great extent.

Senator POINDEXTER. Their dollar rate via Mobile will give them an advantage over the southwest Virginia coal and the shipments to South America, would it not?

Mr. WRIGHT. It would, but it would probably be absorbed by their vessel rates unless they got a movement large enough to warrant the chartering of a steamer, which would do nothing else but just work in that trade like a shuttle. If they went on the open market with a charter, they would probably find a high price for their water movement.

Mr. THOM. Reverting to these two contracts, or drafts of contracts, Mr. Wright——

Mr. LYON. I would like to make a statement about that. I offered yesterday to present them. I had Mr. Wright examine all of the papers he had and he said he could not find a third contract, such as Mr. Thom referred to as having been in existence, and Mr. Wright also searched for such letters relating to it as he could, but has been unable to find any at this time. I now have before me the two contracts, copies of which he had reference to, and the papers attached, which, I think, in some way have gotten into the record. Mr. Wright had no other copy of a contract. Is not that true, Mr. Wright?

Mr. WRIGHT. That is true. I did see a letter from Judge Thom to Mr. Potter some weeks ago transmitting one of those.

Mr. LYON. And you have searched for that?

Mr. WRIGHT. I have.

Mr. THOM. Mr. Wright, these drafts of contracts, which I understand you to say were never executed, were intended to cover the establishment of a rate via the Clinchfield road and the Southern from the Clinchfield fields through Spartanburg to Charleston and the use at Charleston for that coal of transshipping facilities and storage facilities which it was proposed by Mr. Potter to establish there through what is known as the Holston Corporation. Is not that so?

Mr. WRIGHT. I so understood it would cover that movement.

Mr. THOM. That rate was to be $1.40 for coal going beyond Charleston Harbor, was it not?

Mr. WRIGHT. It was.

Mr. THOM. But it involved the use of those lines and of those shipments only for coal originating on the Clinchfield road, did it not?

Mr. WRIGHT. It did.

Mr. THOM. You say that you have not yet been able to find a similar draft of contract which was sent to Mr. Potter by me to give the similar rights to the coal operators on the Virginia Southwestern road?

Mr. WRIGHT. If I had been able to find such contract they would have been presented altogether, in order that there might be a proper history of the entire transaction.

Mr. THOM. I am just getting the fact. You have not been able to find such draft?

Mr. WRIGHT. No, sir.

Mr. THOM. Do you remember finding in the correspondence an effort made by Mr. Finley to bring about the use of these privately owned facilities by the coal operators on the lines of the Virginia Southwestern road?

Mr. WRIGHT. I do. Mr. Wentz took that matter up, if I recall.

Mr. THOM. And for some reason, the merits of which we are not at this moment discussing, the contract relation at that time in favor of the Virginia & Southwestern operations for the use of these proposed facilities at Charleston could not be established. You remember that, do you not?

Mr. WRIGHT. I do not recall the reason.

Mr. THOM. I am not asking for the reason. I say the fact is that they could not be established.

Mr. WRIGHT. I do not know that they could not be, but I believe you are stating the case as it occurred.

Mr. THOM. That fact, that the same facilities could not at the time be obtained for coal operators on the Virginia & Southwestern lines as were proposed to be established by these drafts of contract in favor of mines on the Clinchfield road, brought about a final separation of policies between the Clinchfield road and the Southern in respect to the establishment of these facilities at Charleston, did it not?

Mr. WRIGHT. It seemed to have.

Mr. THOM. And did not Mr. Finley take the position for the Southern that any of the facilities established at Charleston must be a part of the transportation facilities and open to all the shipping public on exactly the same terms and controlled by the same laws that controlled transportation facilities?

Mr. LYON. Is not that all a matter of correspondence already filed? This witness is testifying as to what Mr. Finley's policy was.

Mr. THOM. I am asking if he did not find that in the correspondence.

Mr. LYON. You filed the correspondence yourself.

Mr. THOM. We will get on much quicker if there is no objection, and I will get the letter and read it if it is not answered in this way.

The CHAIRMAN. I think that will be more satisfactory.

Mr. THOM. Then, I will read the letter.

The CHAIRMAN. I did not realize that the letter was in the record. Let him have the letter.

Mr. WRIGHT. I recalled the letter and showed it to you and suggested you had not put your best foot forward last summer.

Mr. THOM. I am much obliged for that.

The CHAIRMAN. If the letter is in the record and you want to ask him anything in connection, all right; do so.

Mr. THOM. Does not that letter which I now hand you, appearing on page 257 of the record, show that Mr. Finley's attitude toward the subject was such as I have described, namely, that whatever

facilities there were at Charleston, so far as the Southern Railwa Co. was concerned, must be a part of its transportation facilitie open to all the public on the same terms, and controlled by th interstate-commerce law, as a part of the transportation facilitie of the road. Is not that so?

The CHAIRMAN. You are asking him if that is in the letter?

Mr. WRIGHT. The letter was a classic.

The CHAIRMAN. You are asking if that is in the letter?

Mr. THOM. If he did not find that in the letter.

Mr. DOUGLAS. Found it in the letter when? When you read it th other day?

Mr. THOM. No; he saw it long before that.

The CHAIRMAN. I guess that is preliminary to something else.

Mr. THOM. Did you find that letter in the record?

Mr. WRIGHT. Yes.

Mr. DOUGLAS. I would like to know when Mr. Wright first sa that letter. Do you mind answering that? Did you see that lett before Mr. Thom read it?

Mr. WRIGHT. Yes; I did. I thought it was a very good presenta tion.

Mr. THOM. Now, Mr. Wright, what is the object of introducin these contracts; they were not signed?

Mr. WRIGHT. Judge, you drew them out to-day, did you not?

Mr. THOM. I did not draw them out. What was the object o your introducing them the other day?

Mr. WRIGHT. Simply to complete the record.

Mr. THOM. That was all?

Mr. WRIGHT. That was all.

Mr. THOM. I have no further questions.

The CHAIRMAN. Are you through with your questions?

Mr. THOM. For the present; we may have to ask some more que tions later.

Mr. LYON. I have some questions I want to ask him, unless th committee wants to ask him questions now.

The CHAIRMAN. I think the committee asked questions as we we along pretty well.

Mr. LYON. Mr. Wright, you have been asked a good many que tions the last half hour by Mr. Thom, showing the disadvantag under which the Black Mountain operators are suffering even aft there taking practical effect of the $1.40 rate in reaching foreig markets or other coastwise points, and you have been examined co siderably by Mr. Rixey, I believe, as to the ports through which t coal from the North actually reaches the South. Calling your attenti to the fact that it reaches it through Norfolk, where the combinati rail and boat rates are usually higher than through Baltimore, ha you any general knowledge of how the business of the so-called Co Trust or combination owned by the Berwind-White people—that a consolidation?

Mr. WRIGHT. A consolidation.

Mr. LYON. Are you acquainted with the general methods of doi business, shipping coal to the South and to foreign destination?

Mr. WRIGHT. They have port agencies to look after the loading vessels.

Mr. LYON. Do you know whether or not it is a fact that they receive coal at all of these northern parts—Harsimus Cove, at New York; Philadelphia, Baltimore, and Norfolk?

The CHAIRMAN. You mean both companies?

Mr. LYON. Both companies.

Mr. WRIGHT. Newport and Norfolk.

Mr. LYON. And when they have orders to supply a cargo of coal, I ask you, speaking in connection with their method of doing business, also with your general knowledge of rates, whether it is of any practical importance to a concern that has coal passing through all the ports as to which of the ports it leaves for the ultimate destination? In other words, can not they transfer their orders from one port to the other without any appreciable difference in the net return to them?

Mr. WRIGHT. Usually; yes.

Mr. LYON. Why do you qualify it by "usually"? If it is not the fact I want to know it.

Mr. WRIGHT. They probably load a good many of the vessels blind, as it is called on the Great Lakes; they have got a regular movement loading it into vessels.

Mr. LYON. You state the Great Lakes; I am talking about the Atlantic coast.

Mr. WRIGHT. Wait a minute. The word "blind" is used because all the ore is moved that way, and the vessel is loading very often before they know where they are going to send that carload of coal; so they are shifting from one port to another all the time.

Mr. LYON. From Atlantic ports?

Mr. WRIGHT. The word "blind" is used on the Lakes.

Mr. LYON. Then they do load coal, as you speak of, blind, without the destination being fixed from all of the different Atlantic ports?

Mr. WRIGHT. At times; yes.

Mr. LYON. And it may be that coal would then be designated to be delivered at Charleston which may come from Norfolk instead of from Baltimore, although the through rate might be higher by way of Norfolk?

Mr. WRIGHT. It could occur.

Mr. LYON. It could occur?

Mr. WRIGHT. Yes.

Mr. LYON. And does it not occur in their method of conducting the business, having these coals coming through all the ports?

Mr. WRIGHT. I have no personal knowledge of any specific instances. It is a thing that could occur and does occur in the trade very often.

Mr. LYON. And therefore if it should appear from the records of the Government, or whatever records Mr. Rixey had, that the coal appears to move through Norfolk—in fact, it does move through Norfolk to Charleston—it would be because of the fact that this large concern has coal accessible for shipment to any foreign destination or any coastwise point from any of these ports of export?

Mr. WRIGHT. Yes; it has enormous advantage in that.

The CHAIRMAN. Do you claim there is an agreement between the Consolidation Coal Co. and the Berwynd-White Co. as to the division of the output?

Mr. WRIGHT. Not at all.

The CHAIRMAN. Are they related in any way or are they competitors?

Mr. WRIGHT. They are competitors, I believe.

The CHAIRMAN. Is such competition active or extensive?

Mr. WRIGHT. It is apparent.

Mr. LYON. The object of the question, if it is not thoroughly understood, is to get coal at all these ports; it does not make much difference which way it moves.

The CHAIRMAN. I understand that question. I wanted to know if the companies had any combination among themselves.

Mr. LYON. With all of these disadvantages to which the Black Mountain is subjected, as implied by the questions asked you—I mean the disadvantage of not having agents and large capital and large funds at their disposal for securing a market—is it not a fact that the Black Mountain Corporation, together with other independent mines—and by "independent mines" I mean mines owned by small operators—have more difficulty in reaching the consumer and the ultimate market outside of the United States than have these large concerns?

Mr. WRIGHT. Naturally.

Mr. LYON. And with the present situation as to rates, with no outlet from Black Mountain field via Norfolk, where there is an established market, and with only, up to this time, a paper rate to the Charleston gateway, is it or is it not a fact that that field can do any foreign business or beyond the Capes' business?

Mr. WRIGHT. None whatever.

Mr. LYON. Mr. Rixey asked you if you wanted to ship your coal through Norfolk and not through Charleston for shipment to final destination it was not your understanding that the Southern Railway, at the general investigation which has been referred to here so often and also from the correspondence of Mr. Finley which is in the record, urged the Norfolk & Western Railway to open this gateway to Norfolk from the Black Mountain field; is not that your understanding?

Mr. WRIGHT. That is my understanding.

Mr. LYON. Notwithstanding it may take business from Charleston over the Southern rails going north or going in any direction from Charleston?

Mr. WRIGHT. That is true.

Mr. LYON. Can it be of any advantage to your coals, which have been portrayed here as somewhat inferior for such purposes—for marine purposes—to confine its outlet or to confine its sale, so far as rates are concerned, to points in the interior of the southeastern country, without giving it an outlet via Norfolk?

Mr. WRIGHT. It should have an outlet via Norfolk by all means.

Mr. LYON. When coal reaches the Norfolk outlet, for what purposes is it used or shipped beyond?

Mr. WRIGHT. For gas making and locomotive fuel, general steam raising purposes.

Mr. LYON. And for marine purposes?

Mr. WRIGHT. And marine purposes.

Mr. LYON. For the foreign market?

Mr. WRIGHT. And for the foreign market.

Mr. LYON. As to all those purposes, except for marine purposes, is it or is it not true that the coals of the Appalachia district are as serviceable as the coals from other districts to the north?

Mr. WRIGHT. They are.

Mr. LYON. Is it or is it not a fact that the coals in this district are particularly valuable for the purpose of manufacturing gas?

Mr. WRIGHT. They are.

Mr. LYON. Is it or is it not a fact that gas coals are very much in demand at the North Atlantic ports for the purpose of making gas?

Mr. WRIGHT. They are.

Mr. LYON. And is it or is it not a fact that under the present system of rates from the Black Mountain field these coals which do make good gas can not move from Norfolk in competition with coals of the same character from other coal fields?

Mr. WRIGHT. It can not move in competition with any coal entering the New England market—with gas coals—or the New York market.

Mr. LYON. Coal does move from the Pocahontas and other fields through Norfolk to Charleston, and there locally consumed or delivered to ships.

Mr. WRIGHT. Coal does move?

Mr. LYON. Yes.

Mr. WRIGHT. Yes.

Mr. LYON. Will it be possible under the rate structure, when this $1.40 rate is made applicable to Charleston practically, that southwest Virginia coal will be able to be moved through Charleston to Norfolk for the use of vessels in the north seaboard or for local consumption?

Mr. WRIGHT. No.

Mr. LYON. Explain to the committee why.

Mr. WRIGHT. It will be much more practicable to ship it to Norfolk direct, all rail.

Mr. LYON. Why, what do you mean by "practicable"—because of a rate condition?

Mr. WRIGHT. Let me get that question, sir.

(The stenographer then read the following question:)

Will it be possible under the rate structure, when this $1.40 rate is made applicable to Charleston practically, that southwest Virginia coal will be able to be moved through Charleston to Norfolk for the use of vessels in the north seaboard or for local consumption?

Mr. WRIGHT. The rate to Norfolk via Charleston by water would be prohibitive.

Mr. LYON. The coal can move in the reverse direction?

Mr. WRIGHT. It can.

Mr. LYON. Will it be possible for coal, after this rate becomes effective, to move through the Charleston Harbor to any of the North Atlantic ports for local consumption, unless it be because of some superior quality of the southwestern Virginia coal?

Mr. WRIGHT. It will not.

Mr. LYON. Briefly explain that to the committee.

Mr. WRIGHT. It is an unnatural route.

Mr. LYON. Unnatural?

Mr. WRIGHT. Unnatural, through Charleston to the north; if it is going to move via Norfolk, it ought to get to the salt water at either port at the same rate.

Mr. LYON. Is it an unnatural route for coal to move from Harsimus Cove or Philadelphia to Charleston?

Mr. WRIGHT. No soft coal moves to Charleston from Harsimus Cove. There is a movement through Philadelphia, coming off the Pennsylvania and B., R. & P. roads, at times.

Mr. LYON. Is that any more unnatural than the movement of coal from Charleston to Philadelphia? You spoke of one being "unnatural."

Mr. WRIGHT. It is moving coal a very long distance from the upper Clearfield region in Pennsylvania to Charleston, through Philadelphia and thence by water; it is not an unnatural movement for the carriers and coal people in Virginia and Tennessee to enter the Charleston market actively.

Mr. LYON. Well, is it a fact that coal can move on this market from the northern ports to Charleston and other south Atlantic ports and can not move, and under the rate structure will not be able to move, north, due to the fact that they have much lower rates for local consumption at the north Atlantic ports than they have at the south Atlantic ports?

Mr. WRIGHT. It would be impossible to pay freight to Charleston and boat freight from there to any of the north Atlantic ports, such as Norfolk, Newport News, Baltimore, Philadelphia, and compete with the northern coals reaching there by direct rail movements on low port rates.

Mr. LYON. As I understand your testimony, in the reverse direction they can haul the coals to the ports of the north and then by the barge rate or the schooner rate down to the southern ports, because the local rates of the Southern road are so high as to justify that movement.

Mr. WRIGHT. That is true.

Mr. LYON. Now, Mr. Wright, when this $1.50 rate goes into effect to Charleston, if there be no change in the local rate to Jacksonville, Brunswick, and Savannah, will the coal move via rail to those points or move to Charleston and then barge or schooner down?

Mr. WRIGHT. The Southern Railway has provided a rate of $1.55 to Savannah, which will prevent much barging into that port from Charleston.

Mr. LYON. Now, take up the other ports.

Mr. WRIGHT. I understand the Clinchfield people think they can barge coal from Charleston into Jacksonville successfully, but if they do it will be an unnatural movement. They should go to Jacksonville on an all-rail rate low enough to prevent that.

Mr. LYON. Mr. Wright, let us take up the practical proposition. They have a $1.40 rate into Charleston for beyond the Capes, gross ton; that is, $1.25 net ton. Is that correct?

Mr. WRIGHT. That is correct.

Mr. LYON. There is into Savannah a local rate of $2.10 per net ton. Now, do you mean to tell this committee——

Mr. WRIGHT. Go ahead.

Mr. LYON. That with $1.25 net-ton rate to Charleston and a $2.10 rate for local consumption at Savannah that the coal will move by

the direct-rail route rather than the barge route or schooner route through Charleston to Savannah, as a rate man?

Mr. WRIGHT. Do not call me that. Well, the $2.10 rate per net ton to Savannah is $2.35 per gross ton.

Mr. LYON. All my questions were asked you on the net-ton basis. It is unnecessary to gross ton that.

Mr. WRIGHT. You have a rate of $1.40 per gross ton to Charleston, which leaves you 95 cents to transship it to barge and move it to Savannah; that is a liberal amount.

Mr. LYON. What is the water haul there?

Mr. WRIGHT. Well, it is inside all the way, and it can be done in a barge cheaply; I do not know the distance. It is inside all the way—probably 150 miles.

Mr. RIXEY. Will you not let the record show at that point that you have a rate from Birmingham to Savannah of $1.85, all rail?

Mr. WRIGHT. Yes; we will.

The CHAIRMAN. What is the rate from Birmingham to Brunswick and Jacksonville?

Mr. RIXEY. I could give it to you in one moment; from Birmingham to Brunswick it is $1.85; from Birmingham to Jacksonville it is $1.90.

The CHAIRMAN. You have no rate to Fernandina; of course, they have a joint rate.

Mr. RIXEY. The same as Jacksonville to Fernandina.

Mr. LYON. Then, according to that statement, the Southern Railway controlling shipments into Charleston and Savannah, having its own rails, instead of making a rate at Savannah to meet the rate through Charleston, plus the barge, that business will be turned over to the Birmingham mines, at the $1.85 rate?

Mr. WRIGHT. No; I do not see that.

Mr. LYON. Well, how will they get that business unless they make the rate to Savannah $1.85 or something less?

Mr. WRIGHT. It is probable that that rate will be reduced to a point that will prevent the barge movement through Charleston. The Southern Railway divides at Columbia. The distance from Columbia to Charleston is 129 miles; the distance from Columbia to Savannah is about 148 miles.

The CHAIRMAN. You mean it is further to Charleston than it is to Savannah?

Mr. WRIGHT. About 23 miles only.

The CHAIRMAN. You made it nearer to Savannah than to Charleston from Columbia.

Mr. WRIGHT. I did?

The CHAIRMAN. I understood you so.

Mr. WRIGHT. I thought the difference instead of being 23 miles was about 15 miles.

Mr. LYON. Mr. Wright, is it not a fact that if such a difference is maintained as $1.25 on coal beyond the Capes, beyond the port, as maintained to the southern ports, that the rates of $2.05, $2.15, or $2.20 to near-by ports, that the coal will move by barge through Charleston rather than to move by the direct rail route?

Mr. WRIGHT. It would.

Mr. LYON. Is it not a fact if that method of rate making is pursued that the coal for Savannah will move through Charleston and be

barged down and the coal for Charleston will be moved to Savannah and barged up, unless the carriers meet the situation as they have done in the northern ports, having the local rates nearer the export rates?

Mr. WRIGHT. The natural thing to do, Mr. Lyon, is to get those rates closer together than they are to South Atlantic ports.

Mr. LYON. What rates do you mean by "those rates"—the local rate, as compared with the export rate?

Mr. WRIGHT. To the Southern Railway is due the credit of affording the $1.55 rate to Savannah; it did not to Charleston.

Mr. LYON. The $1.55 rate is the export rate, is it not?

Mr. WRIGHT. Yes; that was a recognition of the condition you speak of.

Mr. LYON. If you have a $1.55 rate to Savannah, which is about $1.35 or $1.45 rate, and they have a rate of $2.05 to Charleston, how would the coal move to Charleston for local consumption?

Mr. WRIGHT. By rail to Charleston, $2.05.

Mr. LYON. That is, the difference between the $1.40 and the $2.05 would not pay?

Mr. WRIGHT. Oh, no.

Mr. LYON. Mr. Wright, has the building of the Virginian Railway and the C., C. & O. Railway had any material effects upon the rates on coal in the southern territory, so far as their reduction is concerned?

Mr. WRIGHT. On the rates?

Mr. LYON. Yes, sir; the rates from the West Virginia field.

Mr. WRIGHT. The C., C. & O. has produced some small changes, but unimportant—not comparable to the reduction in distance. The Virginian Railway made no change whatever in the situation over there.

Mr. LYON. The practical effect of those roads, so far as the present is concerned, is the opening up of new mines, then; is that correct?

Mr. WRIGHT. That is all.

Mr. LYON. And although affording additional routes to the consuming markets or on the way to the consuming markets of the South, they have not had the effect of making any material reduction in the rates to those consuming markets?

Mr. WRIGHT. Not to my knowledge.

Mr. LYON. Has the building of Bulls Gap cut-off on the Virginia & Southwestern Railway had any material effect on the rates into the southeastern territory?

Mr. WRIGHT. Not that I know of, directly traceable to that reduction in distance.

Mr. LYON. Before that cut-off was built, which I think was said to have cost several millions, was there an efficient route into the Southeast?

Mr. WRIGHT. The Virginia & Southwestern road.

Mr. LYON. Via any route?

Mr. WRIGHT. Through Cumberland Gap, the route into the Southeast to Atlanta, I consider an efficient route.

Mr. LYON. How about the route via Speers Ferry and the C., C. & O.?

Mr. WRIGHT. I do not remember whether that was opened at the time you speak of; it is an efficient route to the Southeast to-day—since 1909—and a very short route.

Mr. LYON. Did it connect with the Virginia & Southwestern at Speers Ferry?

Mr. WRIGHT. Yes.

Mr. LYON. Now, concerning the building of this road from Appalachia to Black Mountain in accordance with the terms of the contract which Mr. Dulaney made at the time of the sale of the Virginia & Southwestern, was the building of that road, which I believe is said to have cost $1,000,000, of any advantage to the Black Mountain field other than would have been gained by a trackage arrangement over the Louisville & Nashville Railroad, which already operated between the same points?

Mr. WRIGHT. None that I can see.

Mr. RIXEY. They were under contract to build that, were they not?

Mr. LYON. The contract was that having an entrance to the Black Mountain field via that line either to build a line of railroad or effect a traffic arrangement, and they selected the building of the line, or had it to do.

So that there are two lines to Black Mountain field up to Appalachia Mountain gateway?

Mr. WRIGHT. Two.

Mr. LYON. Virginia & Southwestern and the Louisville & Nashville?

Mr. WRIGHT. Duplicate facilities.

Mr. LYON. Are either of them having so much business on their rails that they could not take on additional traffic without double tracking?

Mr. WRIGHT. Neither of them are working up to capacity.

Mr. LYON. Now, concerning the quality of this coal about which Mr. Thom made some statement, as I understood, that it was not a good steam coal. Am I correct in that, Mr. Thom?

Mr. THOM. My statement is very largely borne out by the witness, who says they are superior steam coals in the estimation of the markets. Pocahontas coal is above it and a great many other coals are above it, and I understand it is not as good a steam coal as others in that Appalachian field. I understand it is more domestic; that is my information.

Mr. LYON. You have Mr. Thom's statement, and I presume he bases it upon information he has secured from some source. Will you please state what your view is of this coal in the Black Mountain field, in which you have an interest, particularly with relation to its steaming qualities?

Mr. WRIGHT. Judge Thom is not advised, evidently, that the Virginia Iron, Coal & Coke Co. has an operation called the "Imperial mine" in the Black Mountain field, which they leased from the Black Mountain Corporation. They have a large and efficient development there on the No. 6 seam, which is a first-class coal for steaming and coking purposes. The thin seam, which has been worked by the other mines in the past, is a remarkable coal.

Mr. LYON. In what respect?

Mr. WRIGHT. It runs down as low as 2 per cent ash and 0.60 in sulphur, and is popular domestic and steam coal. The Louisville & Nashville used 100,000 tons, which I sold them, for their locomotives, and I think moved it as far as Louisville, Ky.—275 miles—in distributing it to their locomotives, and consider it first-class steam

coal. The situation is that that vein, which all the others except the Virginian Iron, Coal & Coke Co. are working, is a thin vein of exceedingly high-grade coal, which they market to their very best advantage, which happens to be the domestic market, and which pays them the most money for the lump coal. Above the No. 6, which the Virginian Iron, Coal & Coke Co. is working, is the No. 7 seam, 4½ feet thick—a good coal—and the No. 10 seam ranges from 5 feet 6 inches to 8 feet thick all over that field and will be the steam-coal producer.

Mr. LYON. Then is it not a fact, from your knowledge of that coal field, that the coal there is a good coal for steam purposes?

Mr. WRIGHT. I see no important difference between those seams there and the same seams on the Louisville & Nashville Railroad, 8 miles away, where they are recognized as first-class steam coal, and probably the same seams at Stonega and Dorchester and on up the Clinch Valley—all coals of the same general character.

Mr. LYON. Do the railroads there use this coal in this general field——

Mr. WRIGHT. Mr. Harrison says——

Mr. LYON. Wait one second—for locomotive purposes?

Mr. WRIGHT. They do. The Southern Railway is using it.

Mr. LYON. Do you know whether that coal was the coal referred to by Mr. Harrison as a standard coal for steam purposes?

Mr. WRIGHT. I do not. If we ever make peace with him I am going to get a list of those analyses from him to see whether he had any from the Black Mountain district.

Mr. LYON. Is the Southern using this coal in their locomotives from the Imperial mines?

Mr. WRIGHT. I do not know whether Mr. Newton can get the record on that or not.

Mr. NEWTON. How is that?

Mr. WRIGHT. Is any of that going to the Southern on your fuel contracts?

Mr. NEWTON. No, sir.

The CHAIRMAN. I do not understand that this coal is not good fuel coal. I understand the only claim was that the boilers of the battleships and naval vessels as arranged were not suitable and that they preferred the Pocahontas coal.

Mr. LYON. That was for marine purposes. I was only predicating the testimony on the statement of Mr. Thom that it was not a good steam coal. We are a little sensitive on that subject.

The CHAIRMAN. I do not think that contention is made.

Mr. LYON. All right, sir; that is satisfactory to us, then. It was stated here by Mr. Rixey that the average haul on the Southern Railway for the movement of coal for the last year, as I understand it, was 116.5, and the rate per ton per mile in the neighborhood of 6 mills. Do you know the mileage of the Southern Railway, roughly—you do not need to bother about the exact figures.

Mr. WRIGHT. About 7,500 miles.

Mr. THOM. Oh, no.

Mr. WRIGHT. What is it, Judge?

Mr. THOM. A fraction over 7,000.

Mr. LYON. You said 7,500.

Mr. THOM. I do not call that a fraction. You got your idea, Mr. Wright, of it being 7,500 when we had the Tennessee Central.

Mr. WRIGHT. Yes.

The CHAIRMAN. Mr. Thom, does that include all the lines controlled by the Southern?

Mr. THOM. It does not include such as the Alabama Great Southern, and Mobile & Ohio, and Cincinnati, New Orleans & Texas Pacific, things of that sort. It does not include all of the affiliated lines. With our affiliated lines we have about 10,000 miles.

The CHAIRMAN. That is what I thought.

Mr. LYON. That 10,000 miles represents the Southern Railway from Washington down toward Birmingham and from the Atlantic Ocean over to the coal fields?

Mr. THOM. It includes also the Kentucky, Indiana, and Illinois mines.

Mr. LYON. Mr. Wright, would an average haul of 116 miles over a system of roads of the extent which have been mentioned by Mr. Thom be considered by you a long or a short haul?

Mr. WRIGHT. A very short haul.

Mr. LYON. And it would necessarily follow or be likely to follow that the revenue per ton-mile on such a short haul would be high, would it not?

Mr. WRIGHT. It would.

Mr. LYON. Rates being upon an average basis, what would bring about, in your estimation, such a short haul on a railroad like the Southern Railway, with its mileage having coal mines on its own railroads, about 400 miles, on an average, from the ports to the coal fields?

Mr. WRIGHT. Well, it means, in the present case, that they are receiving from the Chesapeake & Ohio, Virginian, and Norfolk & Western Railways, at Virginia and North Carolina junction points, from the Clinchfield north and south junctions the large tonnage of coal which the Southern Railway is providing a consuming market for.

Senator POINDEXTER. From what points?

Mr. LYON. Norfolk & Western, Chesapeake & Ohio, and the Virginian.

Mr. WRIGHT. The Southern is delivering——

Senator POINDEXTER. I heard all except that I thought you named some point on the line.

The CHAIRMAN. Junction points.

Mr. LYON. Junction points. How is that coal received by the Southern over those various railroads shipped into the South—and by that, I mean generally at what junction points?

Mr. WRIGHT. There is a lot reaches the Cape Fear and Yadkin Valley at Walnut cove.

Mr. LYON. Via the Norfolk & Western?

Mr. WRIGHT. From the Norfolk & Western, and at Winston-Salem, from the Norfolk & Western; and from the Virginian Railway at Alta Vista, from the Chesapeake & Ohio at Lynchburg.

Mr. LYON. And is any of this coal received at Norfolk for the Southern Railway points?

Mr. WRIGHT. No. There is some received at Suffolk and distributed back along the Atlantic & Danville.

Mr. LYON. Do you know the average haul on the Norfolk & Western and the Chesapeake & Ohio?

Mr. WRIGHT. I do not; I have reports here.

Mr. LYON. Would you give a rough estimate of it?

Mr. WRIGHT. Their average haul is undoubtedly long, because they have a large tidewater movement, which increases the haul and decreases the rate per ton per mile.

Mr. LYON. And do you know whether they receive any coal from their connections for delivery on Southern points on their own rails, in substantial amounts.

Mr. WRIGHT. The Chesapeake & Ohio does not; the Virginian does not; the Norfolk & Western takes Chesapeake & Ohio coal at Glasgow, Va., and the Virginian Railway coal at Roanoke and delivers it at points like South Boston, Martinsville, and Winston-Salem.

Mr. LYON. Do you know why they take that coal from the Chesapeake & Ohio and Virginian and not from their rails?

Mr. WRIGHT. I really think they want the revenue; it shortens the haul a good deal for it to move in that way. They do allow their competitors an entrance to those few points.

Mr. LYON. Mr. Wright, are you acquainted with the divisions of the rate between the Norfolk & Western on the Chesapeake & Ohio on one side and the Southern Railway on the other on their coals coming into the Carolinas.

Mr. WRIGHT. I do not know what the divisions are between the Chesapeake & Ohio and Virginian and the Southern. I imagine they approximate those obtaining between the Norfolk & Western and the Southern which are very thick for the short hauls in the Carolinas.

Mr. LYON. Do you know whether the Norfolk & Western gets any more out of coal for North Carolina points from the mines to the junction point than it gets for local coal to the junction points; for instance, when coal is shipped from the Pocahontas section, say, to Lynchburg, and there turned over to the Southern for destination south—does the Norfolk & Western receive any more for its division of the through rates?

Mr. WRIGHT. It does not.

Mr. LYON. Than for the local rate?

Mr. WRIGHT. It does not.

Mr. LYON. Do you know whether the Southern receives any less?

Mr. WRIGHT. It does.

Mr. LYON. Then the coal is hauled by the Norfolk & Western up to these junction points, where it is turned over to the Southern Railway at rates less than the local rates, and the addition to those rates is made by the Southern Railway south.

Mr. WRIGHT. It is.

Mr. LYON. And those distances into the Carolinas are comparatively short?

Mr. WRIGHT. They are.

Mr. LYON. Would that, in your estimation, somewhat account for the very short average haul of the coal to the Carolinas?

Mr. WRIGHT. It would.

Mr. LYON. Does the Louisville & Nashville haul coal to ports from the Birmingham and Tennessee fields?

Mr. WRIGHT. It hauls coal to Mobile and New Orleans from Birmingham fields. It has rates in from the Tennessee field and also from the western Kentucky field, which do not result in any business.

Mr. LYON. Mr. Wright, do you know how the business of the Southern Railway moves from the southwest to the northeast west of the Blue Ridge and Appalachian Mountains, from Bristol north—over what rails it moves?

Mr. WRIGHT. The Southern Railway brings some business to Bristol and hands it over to the Norfolk & Western, which moves it east, etc.—north and east; also moves business via Morristown and Saulsbury over its own lines to the east.

Mr. LYON. And when the Norfolk & Western takes it at Bristol, how far does it haul it?

Mr. WRIGHT. Two hundred and four miles, to Lynchburg.

Mr. LYON. And then turns this back onto the Southern Railway?

Mr. WRIGHT. I can not say they are routing to Lynchburg and back over the Southern any business received at Bristol.

Senator POINDEXTER. Back over the Southern for what points?

Mr. WRIGHT. To Washington and the north; that is the short-line mileage. I am not advised of the extent of the movement to-day.

Mr. LYON. And do the passenger trains move that way, too?

Mr. WRIGHT. They do; all passenger trains.

Mr. LYON. If the Southern Railway had a route——

Mr. THOM. You do not mean all "passenger trains"; you mean some passenger trains? You said "all."

Mr. WRIGHT. All the good ones move that way. I did say "all." May I correct that?

Mr. THOM. You better correct that, because that is not the fact.

Mr. WRIGHT. You have through service from Asheville north via Salisbury on the passenger trains; your through service from Memphis, Chattanooga, and Knoxville north and east is through Bristol?

Mr. THOM. We have service both ways through Bristol via Norfolk & Western; and through Morristown and Asheville and Salisbury.

Senator POINDEXTER. You mean the through Southern passenger trains from Washington to Atlanta go over the Norfolk & Western?

Mr. LYON. To the west of that—Memphis and to New Orleans.

Mr. THOM. Some of that western business is handled via Asheville and some via a train which we run in connection with the Norfolk & Western. I think we run two trains a day over the Norfolk & Western—one New Orleans train and one Memphis train run that way in connection with the Norfolk & Western. We have other trains which run the other way.

Mr. LYON. Mr. Wright, these "dead end" roads that have been referred to do point in the direction generally of practicable routes over the mountains, so far as your information goes?

Mr. WRIGHT. From Franklin to Chilhowee, through Bushnell and Fontana is entirely in the valley of the Little Tennessee River. It is a first-class grade, till there became an interference at Alcola in the shape of the dams of the Aluminum Co.——

The CHAIRMAN. We have been through all that.

Mr. WRIGHT. Yes; we have been through that.

Mr. THOM. We have been through that in detail, and have we now to go over it in the aggregate?

The CHAIRMAN. Certainly that part of it has been gone into in the minutest detail.

Mr. LYON. That is all.

The CHAIRMAN. What suggestion have you to make about going on further this afternoon?

Mr. DOUGLAS. Our suggestion is not to go on further this afternoon. In fact, we are practically through. We shall not have any more witnesses, so far as Mr. Dulaney is concerned. We may have some statement to make to the committee to-morrow with reference to our position.

The CHAIRMAN. We are going to discontinue the morning hearings and meet in the afternoon. Mr. Thom, Mr. Douglas says he has no other witnesses to testify, so if it is agreeable we will take an adjournment until 2.30 to-morrow.

Mr. THOM. What will be done to-morrow afternoon when we meet? Has Mr. Douglas any further witnesses?

Mr. DOUGLAS. The probabilities are we will not have. The probabilities are we will rest so far as we are concerned. I think we shall make a statement then as to our attitude in the matter and close our case.

The CHAIRMAN. Then, Mr. Thom, if you have many witnesses to put on, perhaps you might be ready to-morrow afternoon?

Mr. THOM. Well, we shall want a little while after they close to arrange our case. I would prefer not to go on to-morrow afternoon with a witness.

The CHAIRMAN. Well, the committee is very anxious to get along with this. Are you able to make a definite announcement now about what you will do to-morrow?

Mr. DOUGLAS. I am able to make the definite announcement that we expect to close, but I want to make a statement to the committee to-morrow afternoon—either to-morrow or the next day, whenever you have the next session.

The CHAIRMAN. Well, we want to go on with this as rapidly as possible. The committee would like Mr. Thom, if he can, to be able to go on to-morrow.

Mr. THOM. I thought I would precede any introduction of testimony by a statement of what I expected to prove, and if that is in accord with the views of the committee, I would like to do that.

Mr. CHAIRMAN. There will be no objection to that, and it might be helpful to us.

Mr. THOM. I would like to have to-morrow to get that up and hear what these gentlemen have to say to-morrow.

The CHAIRMAN. You could be ready then?

Mr. THOM. I could do that on Friday.

The CHAIRMAN. Very well. Then we will meet to-morrow afternoon at 2.30.

(Thereupon, at 5.20 o'clock p. m., the committee adjourned to meet to-morrow, Thursday, December 17, 1914, at 2.30 o'clock p. m.)

THURSDAY, DECEMBER 17, 1914.

SUBCOMMITTEE ON NAVAL AFFAIRS,
UNITED STATES SENATE,
Washington, D. C.

The committee met at 2.30 o'clock p. m. pursuant to adjournment.

Present: Senators Nathan P. Bryan (chairman), Charles F. Johnson, and Miles Poindexter.

Mr. DOUGLAS. Mr. Chairman and gentlemen, I made a statement on yesterday, somewhat tentative, that I thought I would be ready to close our side of this case at the opening of the hearing this afternoon, but after conferring with my colleague, Mr. Lyon, we have concluded to ask the committee not to require us to make any announcement as to that effect at this session, because the record is voluminous and we want to go over it carefully and see that nothing is left out that we ought to have put in; and in view of the further fact that we are near the holidays, I take the liberty of suggesting that the committee permit us to have an adjournment of the sessions until after the holidays in order to give us time to do that and to do it thoroughly.

Mr. POTTER. Mr. Chairman, may I say a word on behalf of the Clinchfield?

The CHAIRMAN. Certainly you may.

Mr. POTTER. I do not want to prolong this hearing, but there are in the record certain insinuations and possibly reflections regarding the Clinchfield road that I feel are not justified, and at the proper time, either by cross-examination or otherwise, I should like to correct them. I do not care to do it now, if the committee prefers not to do it at this time, but I do want to have the opportunity before the record is closed. There are certain serious misstatements regarding matters that go to the integrity of the operation of the Clinchfield road and its ownership that I must answer. I am prepared to do it now or at the convenience of the committee.

The CHAIRMAN. What is your convenience about it?

Mr. POTTER. I have no preference, but will leave it entirely to the convenience of the committee.

Mr. THOM. I want to acquiesce in the convenience of the committee and of counsel, so far as that is concerned. I am ready to go on now or at any time I am called upon.

Senator POINDEXTER. We would like to have your views on the subject as to hearing the Clinchfield road.

Mr. THOM. I think we ought to defer to Mr. Potter's convenience, so far as our side is concerned.

Mr. DOUGLAS. I thought the matter might go over until after the holidays?

Mr. POTTER. It will be entirely at the convenience of the committee. I will probably take an hour.

Mr. DOUGLAS. Then, let it go over until after the holidays?

Mr. POTTER. Will you have Mr. Wright here at any time I want him?

Mr. DOUGLAS. Sure.

Mr. POTTER. That is thoroughly agreeable to me. It may be that Mr. Wright would consent to a correction of the manifest and obvious errors in the testimony and I could prepare a statement that I could place on record?

Mr. DOUGLAS. If Mr. Potter prepares that statement and furnishes the information, I think the whole matter could be corrected without taking up any time of the committee at all. If there is any error, we do not want it in the record. I think if you can prepare what you conceive to be a statement of the misstatements of facts and submit it to Mr. Wright or to us, I have no doubt that the record can be corrected.

Mr. POTTER. I want to give it so that it will best serve the convenience of the committee. The Clinchfield is out of this, but has been lugged in here in an improper way, and I must put them right.

The CHAIRMAN. Inasmuch as we have only a couple of days more, the committee decides to accede to Mr. Douglas's request, and we will reassemble on January 6, 1915, at 2.30 o'clock in the afternoon.

Mr. POTTER. At which time Mr. Wright will be here for cross-examination, I understand.

The CHAIRMAN. Yes.

(Thereupon, at 3 o'clock p. m., an adjournment was taken until Wednesday, January 6, 1915, at 2.30 o'clock p. m.)

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